

# IFR **ASIA**

INTERNATIONAL FINANCING REVIEW ASIA

MARCH 30 2019 ISSUE 1083

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- › **Goldman, UBS join race to lead China tech board IPOs despite sponsor rules**
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# MOBILIZING CAPITAL MARKETS FOR SUSTAINABLE INFRASTRUCTURE

IFR presents a panel discussion on the role of the institutional capital markets in financing Asian infrastructure.

Moderated by IFR Asia Editor **Steve Garton**, this seminar will offer an analysis of ways the global and local capital markets can support infrastructure development through long-term funding, with an emphasis on channeling Asian savings toward sustainable, climate-resilient projects.

The panel will identify challenges in attracting private sector asset managers to long-term projects, and propose solutions that can be applied across ADB's member economies to promote greater prosperity in the region. The discussion will include real-world examples, such as the Fiji government's green bond program, PT Star Energy's 2018 geothermal project financing, and Clifford Capital's securitization of project finance loans.

The seminar includes a buffet lunch and is **FREE TO ATTEND** for all delegates at the **52nd ADB Annual Meeting** in Fiji.

## TIME

12:30 PM – 2:00 PM

## DATE

MAY 4 2019

## VENUE

52ND ANNUAL  
ADB MEETING  
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GRAND BALLROOM  
1 & 5

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## Fortune favours the bold

When it comes to selling high-yield bonds, Chinese property companies are racing to get ahead of each other – and even their own shareholders.

Last week, China Fortune Land Development decided to strike while the bond market was hot, rather than wait for the formal shareholder approval required by Chinese securities rules.

Bankers reckon shareholder approval is a formality, given that its two biggest shareholders control a majority, but Fortune Land will be cutting things close, given that the vote is scheduled on the day the bonds are due to settle.

If everything goes smoothly, Fortune Land could well have saved on funding costs by seizing a good market window. If anything goes wrong, the bookrunners could end up in hot water, and investors could turn their backs on the company's next deal, driving up its funding costs.

## Until someone loses money, there is little incentive for anyone in capital markets to rethink their standards.

With investors chasing assets once again, Asian issuers are growing dangerously accustomed to having things all their own way.

A similar high-risk strategy was on display a week earlier, when KWG Group sold dollar bonds six days before it was due to report its annual results. Again, it was trying to seize a good market window that might not have existed a week later.

In the end, it reported strong profits for 2018 and everyone was happy. Certainly, KWG's investors were happier than those who subscribed to Noble Group's offshore bonds in bullish market conditions in March 2017, only to see the bonds plummet when it reported poor first-quarter results two months later.

The problem is that things usually turn out all right in the Chinese bond market, however close to the wind issuers may sail. Offshore bond issuers bend the rules, but their bonds trade up, investors make money, and everyone is happy. Onshore bond issuers default for a few days, and then the Chinese government engineers a solution to smooth things over.

Fortune Land also sets a precedent that could be followed by a less solid issuer, and which might not end so happily for everyone involved. Until someone loses money, there is little incentive for anyone in capital markets to rethink their standards.

The other worrying point is that these savvy Chinese issuers clearly think the market is about to collapse within days. They seem to be right about everything else.

## Beyond the Great Wall

The wall around China's capital markets is coming down, fast. With onshore bonds already poised to enter global emerging market indices from April 1, regulators sprang a surprise late on Friday with licences for two new foreign-controlled securities joint ventures.

Nomura won approval to open a majority-owned securities business, but it is the green light for JP Morgan that deserves particular attention.

Coming in the midst of an ongoing trade dispute with the US, China's decision to grant a brokerage licence for America's biggest bank is an encouraging sign that capital market development is not being held back by politics.

Talk of introducing global standards to China's domestic markets, however, is premature.

As with index inclusion, any institution celebrating new entry to the Chinese market is in for a long, hard slog.

Nomura is clearly under no illusions. Its statement on Friday talked of an 'important step', outlining a gradual process towards the 'ultimate goal' of creating a full-fledged brokerage.

JP Morgan may have bigger ambitions, but it, too, will be starting from scratch. HSBC, which was in a similar position in June 2017, is still in a build-out mode.

The story is similar in the credit ratings arena, where China only granted S&P a domestic licence in January, 20 months after agreeing to give rating agencies access in a trade deal in May 2017.

Even as Chinese bonds go global, many fixed-income investors are still grappling with onshore licences, while international issuers still face restrictions on selling renminbi bonds and how they can use the proceeds.

As countless investors have found to their cost, even an entry ticket is no guarantee of success, as Chinese firms have more than enough firepower to defend their market share.

China's latest move to lower the barriers to its securities industry deserves praise as a step in the right direction. For those looking for a way in, however, there are no shortcuts.

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## Thai markets shrug off politics

■ **Bonds/Equities** Pipeline remains strong despite uncertainty over election result

BY KIT YIN BOEY, S ANURADHA

Thailand's capital markets have remained open for business as usual even after the first elections since the military took power in 2014 plunged the country into a renewed period of political uncertainty.

Pro-democratic and pro-military parties were last week jostling to form a coalition government following inconclusive results from the March 24 polls. Even though the final count will not be confirmed until May, issuers and investors showed no signs of delaying their financing plans.

"There is negligible impact on the Thai bond market from the uncertainties of the election results or over who will form the government," said Ariya Tiranaprakij, Thai Bond Market Association executive vice president.

**MINOR INTERNATIONAL** and **TRUE MOVE H UNIVERSAL COMMUNICATION** both went ahead with scheduled subscription

exercises last week for respective bond issues of Bt40bn (US\$1.26bn) and Bt12bn.

More corporate bond issuers are also preparing to launch deals, indicating that companies and bankers are expecting business as usual.

In the equity markets, where

**"Business always prefers the status quo and the current government has steered the economy well. Anyway, the joke in the international community is that no matter who wins the elections, there will be a coup every few years in Thailand."**

stocks are more sensitive to swings in sentiment, ECM bankers see a temporary halt on capital raising but expect ample local liquidity and strong economic growth to prevent any long-term dip in confidence. The benchmark Stock Exchange of Thailand index was up 4.1% year to date as of March 28, though it had lost 1% after the March 24 elections.

Preliminary results from the March 24 elections showed no clear majority for any single party, including the pro-junta Palang Pracharat party. Final official election results are due on May 9.

The opposition, dubbed the "democratic front" of seven

parties, said it had won the majority in the lower house of parliament. However, it would still be unable to elect a prime minister as the constitution, written by the ruling military junta, requires backing from a majority of the upper and lower houses combined. The upper house, entirely appointed by the junta, is expected to endorse the pro-military party.

Bankers and analysts say the markets will get a significant leg up if the Palang Pracharat retains power, notwithstanding the risk of policy paralysis in a coalition government.

"Business always prefers the status quo and the current government has steered the economy well," an ECM banker said. "Anyway, the joke in the international community is that no matter who wins the elections, there will be a coup every few years in Thailand."

### BOND MARKET THRIVES

In 2018, Thailand's economy grew 4.1%, the fastest since 2012, boosted by higher domestic demand and tourism. Analysts are projecting economic growth of 3.8%–4.0% in 2019, barring any political upheavals.

Much of last year's economic growth was attributed to the military government's push for mega infrastructure projects including the development of the eastern economic corridor,



as well as the expansion and development of new transportation projects.

"The opposition parties have indicated that they will support these mega projects if they form the government, but there will still be a degree of uncertainty," said Ariya.

Ultimately, Ariya says, the capital market will ride out the uncertainties.

"Bond issuers will continue to take advantage of the current low interest rate environment and the investors will continue to seek higher yields than the low deposit rates," said Ariya.

The thriving baht bond market outperformed those in its neighbouring countries so far this year, and is not expected to let up for the rest of the year, when Bt500bn of bonds are due to mature. Over Bt206bn of bonds were sold year to date, up from Bt163.8bn sold in the first quarter of 2018.

Among the deals that will launch over the next few weeks are a **THAI AIRWAYS** Bt10bn bond via *Bangkok Bank, Kasikornbank and Krungthai Bank*, an **EASY BUY** three-year bond via sole lead Kasikornbank, and a **BANGKOK EXPRESSWAY AND METRO** Bt5bn deal through joint leads *Bank of Ayudhya and Government Savings Bank*.

In addition, **ICBC THAI LEASING** has plans for a Bt6bn bond sale while **LAND & HOUSES** is plotting a Bt6bn bond.

Thailand also has the most robust IPO pipeline in South-East Asia with three US\$1bn–\$2bn IPOs slated for the second half: **CENTRAL RETAIL** (US\$1bn–\$2bn), **PTT OIL AND RETAIL** (US\$2bn) and **ASSET WORLD CORPORATION** (US\$1bn–\$1.5bn). Central Retail, a subsidiary of the Central Group, is planning to launch the issue in the third quarter but the other two have not yet firmed up their timetables.

Courier company **KERRY EXPRESS THAILAND** is also planning a US\$100m–\$300m IPO later this year. ■

## Global banks join tech board rush

■ **Equities** Goldman Sachs and UBS JVs to arrange IPOs under new rules

BY KAREN TIAN, FIONA LAU

Goldman Sachs and UBS have joined the rush to arrange listings on China's new tech board, despite uncertainty over rules that require sponsors to buy and hold a portion of any IPO they bring to market.

*Goldman Sachs Gao Hua*, the US bank's securities joint venture, is working with *CICC* on the Rmb10.5bn (US\$1.6bn) tech board IPO of Hong Kong-listed **CHINA RAILWAY SIGNAL AND COMMUNICATION**, according to people with direct knowledge of the matter.

It is unclear at this stage whether *Gao Hua* will be a sponsor, or take another role. CRSC plans to file for the tech board IPO in April, said the people. Shareholders will vote on the plan on April 15.

*UBS Securities*, now 51% owned by the Swiss bank, is working as sponsor on the tech board IPO of Hong Kong-listed **SHANGHAI HAOHAI BIOLOGICAL TECHNOLOGY**, according to people familiar with the matter. Haohai, which was already planning an A-share IPO in Shanghai or Shenzhen, plans to raise about Rmb1.5bn to fund research and development, as well as for working capital.

The presence of international joint ventures underlines the appeal of China's newest equity market, as the Shanghai Stock Exchange's science and technology innovation board draws a flurry of early interest.

At least 19 companies have filed IPO applications, and dozens more have expressed an interest. (See table, page 44)

For potential underwriters, however, the new board poses unknown risks, as the SSE has not yet detailed the final investment requirements for

sponsors of tech board IPOs. The bourse operator said on March 1 that sponsors would be required to buy shares at the IPO price through a subsidiary, but it did not specify the amount required or lock-up period.

Mainland media reported sponsors would be required to buy 2%–5% of an IPO at the issue price and the shares would be locked up for two years.

The final details will have a crucial impact on whether globally run banks can sponsor tech board IPOs. ECM bankers in Hong Kong and Beijing have told IFR it would be hard for sino-foreign JVs to clear internal compliance for investing in an IPO – especially if they do not have a local subsidiary.

"I don't believe the risk management of foreign investment banks will allow them to set up a subsidiary first and invest in the IPOs with the subsidiary's core capital," said a banker at a Chinese bank.

One possible way to solve the issue is to make the investment through the Qualified Foreign Institutional Investors (QFII) programme, said people with knowledge of the matter.

"It's hard (to get internal approval) but not totally impossible. If the underwriting fee manages to cover the investment amount and it's a high-quality issuer, we should still be able to clear internal compliance," said a banker in Hong Kong.

### LESS RISKY

CRSC and Haohai are undoubtedly less risky than many of the other tech board IPO candidates.

Goldman and UBS have had

close business ties for years with the respective issuers. Goldman was one of the global coordinators on the signalling systems maker's Hong Kong IPO in 2015, while UBS, as sole sponsor, arranged Haohai's Hong Kong IPO in the same year.

Haohai manufactures absorbable biomedical materials for wound care and arthritis treatments, among other applications.

Both companies have healthy financials. CRSC posted a net profit of Rmb3.8bn for 2018, up 8% from a year earlier. Haohai's 2018 net profit was Rmb455m, up 14%.

The SSE began accepting listing applications for its new tech board from March 18. Ten other companies filed for listings last week, taking the total number of potential issuers to 19 for a combined Rmb18.2bn.

The 10 are **SUZHOU HYC TECHNOLOGY**, **SHENZHEN CHIPSCREEN BIOSCIENCES**, **SHENZHEN BASDA MEDICAL APPARATUS**, **TWENTY FIRST CENTURY AEROSPACE TECHNOLOGY**, **APPOTRONICS**, **ARCISOFT**, **XIAMEN AMOYTOP BIOTECH**, **QUANTUMCTEK**, **HANGZHOU HOPECHART IOT TECHNOLOGY** and **FUJIAN FORECAM OPTICS**.

Similar to the week before, last week's filings are from pharmaceutical, TMT and high-tech manufacturing industries.

"That's why the SSE has encouraged CRSC to list on the new board," a Shanghai-based banker told IFR. "The SSE wants to improve the diversity of the new tech board which is not a board with companies merely related to semiconductors or medicine. They really welcome state-owned national giants to list on the board." ■

# Fortune races ahead of HY crowd

■ **Bonds** Investors and underwriters ignore lack of approval for Fortune Land's US\$1bn issue

BY CAROL CHAN, DANIEL STANTON

**CHINA FORTUNE LAND DEVELOPMENT** took the rush to raise offshore financing to a new level last week when it sold US\$1bn of guaranteed bonds before obtaining shareholder approval – a prerequisite under Chinese rules.

The Hebei-based developer printed US\$350m 7.125% three-year notes and US\$650m 8.60% five-year bonds, both at par, through CFLD (Cayman) Investment but with the Shanghai-listed parent company as guarantor.

According to Shanghai Stock Exchange's listing rules and other applicable regulations, CFLD is required to obtain both board and shareholder approval for the guarantee structure.

The board approved the plan on March 18, but a shareholder meeting is only scheduled for April 8 – the day the new bonds are due to settle.

"The company's management is keen to capture the good market window and is confident of getting shareholders' approval before settlement of the bonds, hence, we decided to go ahead with the launch of the deal," said a banker on the deal.

"We flagged the potential risk to investors regarding the guarantee and investors seemed not so worried about this and continued to place orders."

The offering memorandum highlights the risk that the issuer "will not be able to consummate the offering" if it does not win shareholder approval, in which case the deal will be cancelled.

Investors – including several global funds – were comfortable enough to place orders exceeding US\$2.8bn for each tranche, highlighting the resurgence in demand for Asian high-yield bonds.

## AGGRESSIVE TIMING

Many arrangers, however, had misgivings about the company's aggressive timeline.

CFLD's final term-sheet named nine bookrunners, three of which changed during bookbuilding. The all-Chinese line-up also offered a stark contrast to the company's most recent offshore bond only five weeks earlier, when four international firms – Credit Suisse, HSBC, JP Morgan and Morgan Stanley – were on the top line.

"The Chinese banks really know their clients. Foreign banks may have difficulty understanding the full picture here," said Paul Au, head of fixed income at CMB

International, one of the joint global coordinators on the deal.

Several bankers on the deal said that CFLD was fairly certain to win shareholder approval, given that its two biggest shareholders – chairman Wang Wenxue and Ping An Insurance (Group) – together hold nearly 61% of the shares, and their board representatives had already voted in favour.

One of the bankers told IFR that CFLD was keen to push ahead with the deal on March 27 in order to avoid competition with Country Garden Holdings' US\$1.5bn dual-tranche deal the following day. Another big issue from China Evergrande Group is

also expected in the week of April 1.

"They probably did the right thing for the company. If they had waited two to three weeks then the cost of funding might be higher," said a banker from a foreign bank.

However, the banker said the bookrunners may face risks if the deal were to be cancelled.

"If they have to unwind the trade, they will need to void all secondary trading, and investors will sue. Who will they sue? The bankers."

## STRONG DEMAND

Demand for the deal was strong given the robust market conditions and CFLD's unique focus on planning, creating and operating large-scale urban developments.

The 7.125% three-year and 8.60% five-year both came well inside initial guidance of 7.625% area and 8.90% area, respectively. The notes also have an expected BB+ rating from Fitch, on par with the guarantor.

CFLD is privately owned but has gained support from local governments in the development of new industry cities in key economic regions, particularly the pan-Beijing region, where it is expected to benefit from China's push to establish a major new economic zone in Xiongan, to the south of the capital.

"Some investors, especially those onshore investors, view it as a quasi-LGFV (local government financing vehicle) given its implicit government support, as it plays an important role in primary land and infrastructure development of these new industry cities. Of course, not every investor takes this view," said another banker on the deal.

The introduction of Ping An Insurance as a strategic shareholder also boosted investor confidence in CFLD,



a Hong Kong-based portfolio manager from a Chinese brokerage said.

#### BOOKRUNNER CHANGES

The risk of failing to secure the guarantee in time made some bookrunners reluctant to participate, and some decided to walk away from the deal or act in a lower ranking role.

CMB International, Guotai Junan International and Haitong International were joint global coordinators on the transaction. They were also joint lead managers and joint bookrunners with Bank of China, BoCom International, Bank of East Asia, China Citic Bank International, China Industrial Securities International and Orient Securities (Hong Kong).

BOC International, CEB International and China International Capital Corp, which were listed as JBRs when the initial guidance was announced, were replaced by BOC, BEA and CISI. BOC International became a co-manager when the deal was priced.

Bankers on the deal told IFR that a few foreign banks were originally on the deal but walked away before initial guidance was announced because of compliance issues.

"Every bank has different legal and compliance requirements. That's why some chose to walk away while some remained in the deal and even some were added in a later stage," one of the bankers said.

CFLD's newly priced bonds were hovering around reoffer with the three-year quoted at 100/100.15 and the five-year quoted at 100/100.2 on Thursday afternoon, according to a trader.

The latest deal helped the company to extend its offshore debt beyond the two-year and three-year tenors it had issued before. It first tapped the offshore bond market in December 2017, and most recently sold US\$530m of two-year notes on February 21 to yield 8.625%.

CFLD did not reply to an email seeking comment. ■

## Masala bond market heats up

### ■ Bonds Issuers take advantage of temporary withholding tax window

BY KRISHNA MERCHANT

The Masala bond market received a shot in the arm with two deals within a week, including the first by a state government agency, but optimism was tempered by weak prospects for future issuance.

The two trades benefited from the recent recovery of the rupee and took advantage of a withholding tax exemption that expired on March 31.

The **KERALA INFRASTRUCTURE INVESTMENT FUND BOARD** on Tuesday printed a Rs21.5bn (US\$311m) five-year debut Masala bond at par to yield 9.723%, in line with initial guidance, in a deal led by Axis Bank and Standard Chartered.

KIIFB is the main agency for infrastructure investment in the state and has a guarantee from the Kerala government. Its Masala bonds are rated BB/BB (S&P/Fitch), in line with the state of Kerala.

The deal followed a successful placement on March 22 of Rs10bn three-year Masala bonds by **HOUSING DEVELOPMENT FINANCE CORP** at 8.22%, almost 40bp lower than the onshore rate for the same tenor.

"The issuers are raising Masala bonds to take advantage of the withholding tax window as the rupee has recovered and the all-in cost for raising offshore rupee-denominated bonds is cheaper than the onshore rate," said Ajay Marwaha, director of investments and investment advisory at Sun Global Investments.

India eased restrictions on Masala bonds last September, when the government waived the 5% withholding tax on coupon payments on offshore rupee bonds issued from September 17 to March 31 2019. However, there were hardly any Masala deals after that, with HDFC's Rs5bn five-year one-day issue in November the only notable offering since then.

Issuance conditions have improved lately, and the rupee appreciated 3% to Rs68.9 against the dollar in the past month, becoming one of the best-performing currencies in Asia.

Foreign portfolio investors are returning to the rupee bond market, adding nearly Rs130bn in the first 29 days of March, after being net sellers in January and February.

"A lot of the concerns related to the upcoming general election have been put to rest since the polls point to a stable government in India," said Marwaha.

KIIFB held investor meetings in the week of February 18 in Singapore, Hong Kong, London and the United Arab Emirates, and completed the deal only last week as the market recovered, the rupee strengthened and foreign portfolio flows to rupee bonds resumed.

Canadian pension fund Caisse de depot et placement du Quebec (CDPQ) is heard to have bought a major portion of the KIIFB deal.

#### POLICY SUPPORT

The RBI has taken a series of steps in the past few months to bolster FPI flows, including the surprise announcement of a long-term forex swap to ease liquidity conditions onshore.

"The hedging costs for investors have come down as the forward premium has reduced and some part of this reduction has been passed on to the issuers as well," said Shantanu Sahai, co-head of debt capital markets at Nomura.

Last week, the central bank said it would raise foreign investment limits for government and corporate bonds by a total of Rs966bn by the second half of 2020, even though the current quotas are only 63.8% utilised.

"By continuing to increase the FPI limits even when there are ample limits available, the RBI is indicating that it is open

to larger FPI involvement in the Indian bond market," said ANZ Research in a note dated March 28.

KIIFB's deal raised hopes that other government-linked issuers could come to the Masala market.

The notes have a first-ranking exclusive charge over a debt servicing reserve account containing interest payment amounts covering the next six months. They are also supported by a sinking fund, in which the issuer will deposit 5% of the principal amount every six months starting from the third year, until it holds 25% of the outstanding principal amount six months before maturity.

The KIIFB Masala deal paves the way for more government-owned entities to tap the offshore rupee bond route to support India's infrastructure funding requirement, as the national budget remains constrained and the onshore market is flooded with state-backed bonds which have kept yields elevated.

"If India has to grow, [the] Masala route is the natural way for state-owned entities and Indian companies to raise funds on their rupee balance sheets," said Marwaha of Sun Global Investments. "Also, the government and Reserve Bank of India are finally working together; this has had a positive impact on the market."

While there have been two successful Masala deals back to back, market participants expect the deal flow to remain slow unless India extends the withholding tax exemption by another 12 months.

"From the credit quality perspective, only sovereign and quasi-sovereign issuers will see appetite from the Masala investor universe – good quality companies like HDFC and state-owned enterprises," said Sahai. ■

# Bond deadline looms for MIE

■ **Bonds/Restructuring** Oil group struggling to deal with April maturity

BY FRANCES YOON

**MIE HOLDINGS** was last week struggling to convince bondholders to approve an exchange offer that is seen as crucial to preventing it from joining a growing list of Chinese offshore bond defaults.

The Chinese oil and gas explorer and producer had asked holders of its US\$315.916m 7.5% bonds to switch into new three-year notes with a higher coupon, in a bid to delay redemption from the original maturity of April 25.

A source familiar with the matter said on Tuesday the company had reached about 70% in approvals, still short of its 90% threshold for the exchange offer to go ahead. MIE had already sweetened the deal for bondholders and delayed the deadline until 4pm London time on March 29, a clear sign that it had struggled to find enough takers.

"It may look like a lot, but that last 20% is hard to get," said the source. "The remainder is sitting with retail, and it'll be

tough to get to the 90% mark because the holders are spread thin."

Fitch said the exchange offer was necessary to avoid a default on the April 2019s, given that MIE's unrestricted cash balance had probably fallen from Rmb83.6m (US\$12.5m) at the

**"I'm not optimistic that this exchange is going to work. You only get 10 cents on the dollar and have to wait another three years until you get repaid."**

end of June last year.

MIE also warned that failure to reach the approval threshold could prompt it to pursue alternative arrangements that could include a debt restructuring, which could result in bondholders receiving less than they would under the exchange offer.

"It'll be a loss for bondholders if they don't agree to the exchange. I don't understand what the hold-up is," said another person familiar

with the discussions.

However, a Hong Kong-based credit analyst argued that the exchange terms were not attractive, given the ongoing uncertainty facing MIE.

"I'm not optimistic that this exchange is going to work. You only get 10 cents on the dollar

exchange deadline, given "the importance attached to the outcome of the exchange offer which affects the adoption of going concern assumption in preparing the 2018 annual results". It also postponed a board meeting.

A company official declined to comment.

## NERVY INVESTORS

MIE's troubles come as international investors have become more discerning about Chinese credits, particularly after a volatile fourth quarter that raised fears of refinancing risks for debt-laden companies.

Even though markets have rebounded strongly since then, investors remain wary, especially over industrial issuers from China's private sector.

"The nervousness over the potential of defaults is still very high," said a banker away from the situation.

Kangde Xin Composite Material Group, a manufacturer of high-polymer materials, this year defaulted on dollar and renminbi bonds, while Qinghai

and have to wait another three years until you get repaid.

There is no assurance that the company is going to fix the balance sheet and turn around the business, given the climate of the industry and the assets they own."

MIE's 2019s were trading at a bid of 55.5 cents on the dollar, according to Tradeweb.

Last Wednesday, MIE said it was delaying the publication of its annual results as a result of the extension of the bond

# Foreign buyers back DLF sale

■ **Equities** Investors bank rapid 10% windfall as gearing falls

BY S ANURADHA

**DLF's** Rs32bn (US\$460m) follow-on stock offering last week showed that the Indian real estate sector remains a draw for foreign investors soon after they snapped up the country's first REIT IPO.

International investors accounted for 85% of the 30 buyers in the qualified institutional placement, with the top 10 investors taking 70% of the stock.

It is the second real estate capital raising to be dominated by foreigners in recent weeks,

following the Rs48bn IPO of Embassy Office REIT in March, as domestic investors remain cautious.

Foreigners have been net buyers of local stocks this year, while local mutual funds have been net sellers, an ECM banker away from the deal said.

Share sales in the real estate sector have been infrequent because the residential property market has been subdued in recent years as a result of the demonetisation move in 2016 and the introduction of a goods and services tax in 2017.

The setting up of the Real

Estate Regulatory Authority has also led to more scrutiny of developers, delaying projects,

**"There are only a handful of good real estate names for investors to chase and DLF is likely to be preferred after the reduction in gearing."**

while a liquidity crunch at non-bank finance companies has hit lending to the real estate sector.

Last year, Lodha Developers and Puranik Builders put their respective IPOs of up to US\$1bn and Rs10bn on hold because of weak investor feedback.

"While domestic investors remain sceptical, foreign investors are beginning to see value in the sector at the margins," an ECM banker on the DLF transaction said. "Real estate prices haven't risen, making houses more affordable. Companies are also cutting their debt and reducing inventory levels."

## OVERSUPPLY EASING

Jaspreet Singh Arora, head of research at brokerage Systematix Group, said oversupply in the sector was also improving. The sector

Provincial Investment Group was a few days late making a coupon payment on its dollar bonds in February.

MIE on March 1 invited bondholders to exchange the 2019 bonds for new US dollar-denominated 13.75% senior notes due 2022, plus some cash, which would help lessen the burden on debt repayments.

Originally, MIE offered US\$100 in cash and US\$900 in principal amount of new notes, plus accrued interest, for each US\$1,000 of bonds tendered by the early bird deadline of March 15, and US\$20 in cash and US\$980 in new notes for those who tendered after that but before the offer deadline expired on March 22.

On March 25, MIE extended both deadlines to March 29, meaning all bondholders who submit will be given the terms originally offered to those who submitted by the early bird deadline. It also said it would make an offer to buy back up to US\$30m of the new notes after completing the sale of a Canadian business.

But the second source said even if the exchange succeeded, bondholders would be subordinated to holders of a secured bond while MIE continues to struggle with tight

liquidity.

In February MIE reached agreement with holders of its HK\$340m (US\$43m) 5% convertible bonds due 2021 to delay the exercise of a put option and remove the conversion option, in return adding its stake in the Canadian oil and gas business as security. MIE intends to sell the Canadian assets, giving the CB holders first rights to the proceeds.

"The MIE chairman is going to try to honour investors by paying off first the CB, which essentially went to one investor," said the second source. "We won't be treated equally."

MIE has long been struggling with tight liquidity, and has seen its stock price tumble over 80% in the past 12 months. It received mixed results in a cash tender offer in 2017, and struggled to receive bondholder approval to amend restrictive covenants.

"This company has been rated junk and in stress for quite a while, so if they don't succeed in this exercise, the impact on offshore markets is probably going to be limited," said the fourth source.

DF King is information and exchange agent. ■

has 30–33 months of unsold residential inventory in the country's top 10 cities, compared with 45–50 months in the 2014–2017 period. Arora expects inventories to fall further to 25–28 months in 2020.

DLF's return to the capital market after nearly six years saw it sell 173m shares at Rs183.40 apiece, a 3.1% discount to the pre-deal close on Monday of Rs189.25. The discount was lower than that offered by Oberoi Realty (3.4%), Brigade Enterprises (11%) and Suntech Realty (11%) on their respective share sales in the 2017–2018 period.

DLF shares closed on Friday at Rs202.45, up 7.0% since the sale and a rapid 10.4% gain for

investors who participated in the placement.

The shares sold represent 9.69% of the capital. JP Morgan, Kotak and Morgan Stanley were the bookrunners.

Analysts remain positive on the stock. Arora of Systematix Group said he expects a re-rating of DLF shares as the QIP and the recent conversion of warrants into shares by DLF Chairman K P Singh and his family will lead to a considerable reduction in the company's debt, which stood at Rs72bn on December 31 2018.

"There are only a handful of good real estate names for investors to chase and DLF is likely to be preferred after the reduction in gearing," Arora said. ■

## China awaits first Italian Panda

■ Bonds State lender CDP readies renminbi bond debut

BY YANFEI WANG, HELENE DURAND

Italian agency CASSA DEPOSITI E PRESTITI is about to sell its first Panda bonds, adding to the list of sovereigns, supranationals and agencies lining up to tap the Chinese domestic bond market.

The state lender is eyeing up to Rmb5bn (US\$742.7m) of Panda bonds across various tranches and is working with Bank of China. At least one tranche is expected in the coming weeks, according to a plan revealed during Chinese President Xi Jinping's state visit to Italy last week.

The deal comes amid some concerns around the rising funding costs for Panda bond issuance that have delayed some potential deals.

"There's a lot of noise around Italy doing a Panda bond via CDP," said a London-based debt market banker who has been working on Panda mandates.

The banker said that at the time of winning the mandates there was a big cost advantage for issuers, but that has since faded.

"The market has moved since quite aggressively and now it would cost them 20bp-30bp," the banker said. "Having said that, all the issuers we have mandates from are still going to pursue Panda bonds for political and strategic reasons."

The banker said four or five Panda issuers are in the pipeline and the typical issue sizes are expected to be US\$200m–\$300m. Such volumes would build momentum for others, after a planned Panda issue from Belarus seemingly stalled in late 2018.

Italy's Panda plan was announced as it became the first G7 country and the biggest European economy to sign up to China's Belt and Road Initiative. Portugal and one other European country may also issue Panda bonds following Italy, both of which have shown

interest in the BRI, according to people familiar with the matter. Separately, the African Development Bank has also held a roadshow in China, while Panama has also been linked with a potential issue.

Some market participants see plenty of room for optimism for the nascent market this year, mainly driven by a search for cheap funding channels, even if the cross-currency swap rates may not be favourable at the moment.

"There might be some short-term fluctuations for Panda bond issuance, but we expect the funding costs to remain low until the end of the year as key reference rates, for instance, the China Development Bank 10-year YTM, are on the track to continue to decline," said Felix Sun, head of foreign exchange, rates and credit at UBS Securities.

Issuers looking to convert renminbi proceeds from Panda bonds into dollars using cross-currency swaps are also likely to benefit from an expected rise in dollar/renminbi CCS rates.

Beijing's new Panda bond guidelines issued last year are also likely to encourage more foreign entities to sell renminbi-denominated bonds, with a wider definition of qualified issuers and looser controls on how proceeds are used.

New Development Bank, a multilateral development bank established by Brazil, Russia, India, China and South Africa, issued the first Panda bond after the new guidelines came out.

"Real estate issuers and Chinese red chips that have been restricted by government regulations may come back to the Panda bond market this year. There are some signs that the government would relax some controls for their issuance," said Zhang Hao, deputy general manager of debt financing at China Merchants Securities. ■

# iQiyi shows the way for tech CBs

■ **Structured Equity** 'China's Netflix' returns to equity-linked market with record sale

BY FIONA LAU

**iQIYI**, Baidu's Nasdaq-listed video-streaming service, revisited the equity-linked market last week with a record US\$1.2bn convertible bond only four months after its debut issue.

The so-called Netflix of China launched the six-year put-four deal last Tuesday in Asian hours after selling a US\$750m CB in November. The deal, the largest CB from a US-listed Asian issuer, comprised a base size of US\$1.05bn and a greenshoe of US\$150m.

The transaction was marketed at a coupon of 2.0%–2.5% and a conversion premium of 27.5%–32.5%.

While it is well known that iQiyi needs funds to support its high growth, its ability to complete two CB issues in the year after a US\$2.25bn IPO in March last year is still remarkable.

"A strong run-up in the company's share price since the last deal and better investment sentiment in the broader market have prompted iQiyi to make a quick return," said a person close to the deal.

Tech stocks were selling off when iQiyi sold its November

of 120 before the new deal launched.

"iQiyi's success will help encourage other new-economy companies which have negative cashflow and strong growth to come to the market. They need capital to grow," said another person close to the deal.

**"iQiyi's success will help encourage other new-economy companies which have negative cashflow and strong growth to come to the market. They need capital to grow."**

CB. That deal came with a shorter tenor of five-year put-three, higher coupon of 3.75% but also a higher conversion premium of 40%.

Since then, iQiyi shares gained 25% up to last Tuesday while the Nasdaq Index rose 5.4% over the same period. The November CB traded north

US-listed Chinese electric vehicle maker Nio, for instance, sold a US\$650m five-year CB in January.

## ISSUER-FRIENDLY TERMS

Despite the quick comeback, the latest iQiyi CB generated overwhelming demand from investors, which allowed the

leads to price the offer at the issuer-friendly end.

"The question to ask is whether the company's balance sheet can support more debt," said the second person. "iQiyi is a big company and it can afford to put more debt on the balance sheet. The deal structure is also designed to make sure the debt maturity profile staggers over time."

"The backing from Baidu also gives people a lot of comfort on the company's ability to repay the CB if it's not converted."

The books were oversubscribed in Asian hours and continued to build in the US. The final tally showed about US\$5.5bn of orders from more than 160 investors with a balanced mix of demand from outright investors and hedge funds. Allocations, however, skewed towards outright investors who took about 60% of the deal. Geographically,

## Seam of bitcoin IPOs runs dry

■ **Equities** BitMain lets Hong Kong listing application lapse after slump in prices

BY FIONA LAU

The world's biggest producer of cryptocurrency mining chips, China's **BITMAIN TECHNOLOGIES**, has let its application for a Hong Kong IPO of up to US\$3bn lapse while it responds to the slump in digital currency prices.

BitMain's decision means that two of the three Chinese bitcoin mining equipment makers that had applied for listings in Hong Kong last year have now shelved their plans.

Smaller rival **CANAAN** did not renew its six-month-old application for a US\$1bn listing last November, leaving **EBANG INTERNATIONAL** as the only member of the trio still pursuing a Hong Kong IPO of up to US\$1bn.

In a blog post on its website,

BitMain hinted that its listing plan may have been premature. The Beijing-based company has been through a turbulent period since its original filing, during which it has cut jobs, reorganised its operations and installed new leadership.

"We do recognise that despite the huge potential of the cryptocurrency and blockchain industry, it remains a relatively young industry which is proving its value," the statement said. "We will restart the listing application work at an appropriate time in the future."

According to people close to the deal, BitMain is unlikely to pursue the Hong Kong offering in the short term because of the tight regulatory scrutiny of bitcoin companies in the city.

In its blog post, the company alludes to this, saying it hopes "regulatory authorities, media, and the general public can be more inclusive to this young industry".

BitMain applied to the Stock Exchange of Hong Kong on September 26 with the help of sole sponsor **CICC**. The application lapsed last Tuesday at the end of its six-month validity.

Meanwhile Canaan, which recently completed a round of private financing, is evaluating a listing in the US or the Shanghai new tech board, people familiar with the situation said.

With bitcoin prices at their current levels, it is unlikely that these companies can meet their earlier fundraising targets. The

cryptocurrency traded around US\$3,900 last Tuesday, down from a high of US\$20,000 in December 2017.

"Weak bitcoin prices have dimmed the outlook for mining equipment makers," said one of the people. "It's hard to sell such an IPO right now and the issuers may not be able to raise as much as they want."

Ebang is pushing ahead with its Hong Kong IPO plan, however.

"The company still wants to do a Hong Kong IPO and is still addressing questions from the regulators," said a person close to Ebang. "It's hard to say when the deal can come out."

## PERSONNEL SHUFFLE

Last Tuesday, BitMain said that it made adjustments to its personnel at the end of 2018 as it aligned its focus on cryptocurrency and artificial intelligence chips with products and services based on the chips.

about 53% of demand came from the US, 34% from Asia and the rest from Europe.

The CB was subsequently priced at a coupon of 2% and a conversion premium of 32.5%. The greenshoe was fully exercised.

To offset the potential dilution of the new CB and lift the conversion premium, iQiyi entered into a capped call transaction with the leads. The cap price is set at US\$40.02, representing a 75% premium to the closing price of US\$22.87 last Tuesday.

The company will use the proceeds to pay the cost of the capped call transaction, expand and enhance content, and strengthen technologies.

The CBs traded at around 101 last Thursday.

Credit spread was assumed at 400bp and implied volatility at 37%, the same as where the old CB traded before the new deal launched. Borrow cost was at 2%.

*Bank of America Merrill Lynch, Goldman Sachs and JP Morgan* were the joint bookrunners. ■

It named Wang Haichao as chief executive to replace company co-founders Wu Jihan and Zhan Micree, who continue to be directors of the company.

Media in mainland China reported in December that BitMain had slashed its workforce to reduce expenses.

The company posted a net profit of US\$742m for the first six months of 2018, compared with a profit of US\$83m over the corresponding period of 2017.

The company accepts payment in the form of cryptocurrencies for the sales of its cryptocurrency mining hardware, and also receives cryptocurrencies from proprietary mining and the operation of mining pools. At the end of June 2018, BitMain held US\$887m of cryptocurrency assets, valued at cost, accounting for 28% of its total assets. ■

## Peet builds on demand for yield

■ **Bonds** Aussie developer becomes eighth unrated corporate to access market

BY JOHN WEAVERS

Unrated real estate development company **PEET** broadened its investor base last Tuesday with an inaugural A\$75m (US\$53m) 6.75% long five-year (June 7 2024) wholesale bond.

"Peet achieved its objectives by attracting new institutional investors and raising the A\$75m it was seeking for opportunistic land acquisitions," said Andrew Gordon, director of debt markets at sole lead manager NAB, which also arranged Peet's two earlier retail notes.

These were a debut A\$100m 7.5% five-year bond in June 2016 and a follow-up A\$50m 6.71% 5.25-year in July 2017, under Australia's simplified corporate bond regime.

Peet is the eighth unrated Australian company to access the domestic wholesale institutional bond market following engineer group Civmec, property funds manager Centuria Capital Group, data-centre provider NEXTDC, payments company Afterpay Touch Group, QMS Media, online job search provider SEEK and Capital Health.

These eight issuers have

raised between A\$45m and A\$300m, with tenors around the four to five-year corporate sweet spot at spreads over asset swaps and BBSW of 400bp–550bp.

Once unheard of in Australia's historically conservative, investment-grade focused bond market, unrated offerings have become more commonplace in response to rising local appetite for higher-yielding assets.

The domestic buy-side is underpinned by a deep and expanding pension pool, with total assets of almost US\$1.9trn equivalent in 2018 – the world's fourth largest total after the US, UK and Japan – or 130.7% of GDP, according to Towers Watson.

On the supply side unrated issuers save on fees, time and other costs related to establishing and maintaining a credit rating, though they obviously pay a premium to reflect the absence of comfort that ratings agencies provide.

### LOCAL ALTERNATIVES

Other unrated corporates – infrastructure company Qube Holdings, home-care provider Australian Unity and real estate developer Villa World, as well as Peet – have used the retail

market to issue bonds ranging between A\$50m and A\$300m in recent years.

The retail market benefits from a huge army of smaller potential investors due to its modest A\$5,000 minimum entry level, versus A\$500,000 for the institutional market, but it is more expensive for issuers, even under the Simple Prospectus regime, because of marketing, broker fees, legal and other costs.

Outside the institutional and retail arenas, FIIG Securities, Australia's largest specialist fixed-income broker, opened the domestic high-yield arena in 2012 by selling unrated bonds, mainly to its 7,000-strong wholesale client base of self-managed superannuation funds and high-net-worth individuals.

FIIG has helped sell A\$2.3bn of bonds from 35 companies across 55 transactions, typically at sizes of A\$40m–\$50m with callable five-year structures.

Greater returns come with greater risks, as underlined by farmer-owned cooperative Mackay Sugar which defaulted on its FIIG-arranged A\$50m five-year bond issued in April 2013, Australia's first bond default since 2001. ■

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## ■ TOP STORY BONDS

# Rating agencies eye China push

## Global 'big three' position for onshore business

Global rating agencies are preparing for a major push into China, while cautioning that their progress is likely to be gradual as they grapple with some of the nuances of operating in the world's largest bond market.

Earlier this year, **S&P** became the first among the big three to receive approval to begin rating bonds in China's interbank bond market. **MOODY'S** and **FITCH** have also applied and are awaiting final sign-off. Moody's has since been linked with a deal to increase its minority stake in its joint venture with China Chengxin Credit Ratings Group.

Despite growing interest among international investors, particularly following the launch of the Bond Connect trading link between Hong Kong and China almost two years ago, some market observers have suggested that foreign rating agencies will struggle to gain much traction onshore.

China's domestic ratings industry is fiercely competitive, with practically all new bond issues receiving local ratings of AA or above. That raises questions

whether global firms, with their stricter methodologies, will be able to compete for business in China.

Danny Chen, CEO of Fitch (China) Bohua Credit Ratings, Fitch's Chinese subsidiary, is

**"We would not have entered the market if we didn't believe we would succeed there. There is a real demand for a dependable and transparent ratings product that gives a new depth of analysis for Chinese debt."**

unperturbed, although he concedes that it will take some time to become competitive with local firms.

"This is a long-term play for Fitch Bohua," he said. "I fully expect it to be challenging, as it takes time for the market

to get used to foreign-owned credit rating agencies' international practice and more stringent methodology. But their work will be increasingly recognised over time with growing awareness in the market about their high standards and also with foreign investors moving onshore."

Simon Jin, chief executive of S&P's wholly owned subsidiary, S&P Global (China) Ratings, echoes Chen's sentiments about the opportunities afforded by the growing international investor engagement with China.

"We would not have entered the market if we didn't believe we would succeed there," he said. "There is a real demand for a dependable and transparent ratings product that gives a new depth of analysis for Chinese debt."

"Ultimately, the market knows what we stand for. We believe we offer something that will bring China's markets closer to the global financial system."

### DIFFERENT STRATEGIES

Shortly after China issued detailed plans last March to allow foreign rating agencies

## Japan clarifies TLAC risk weightings

Japan's love affair with loss-absorbing senior bank debt is set to continue into the 2019 fiscal year after the country's banking regulator clarified its approach to risk weightings from April 1.

The Financial Services Agency on March 15 published final rules on local holdings of bonds counting towards total loss-absorbing capacity (TLAC) requirements, following up on guidance released last April.

The latest notice clarified that domestic banks with no overseas branches - mainly regional investors - would only face additional risk weightings on holdings of TLAC instruments from global systemically important banks (G-SIBs). The higher capital requirements would apply only after new investments exceed 5% of a domestic bank's core capital.

Bankers welcomed the clarification around grandfathering provisions and the exclusion of bonds from domestically

important banks, and expect market conditions to remain good for non-G-SIB issuers in the new fiscal year.

The FSA's guidance last April set the course for the international yen bond market, as yield-starved regional investors flocked into bail-in senior bonds in search of higher returns. That surge in demand drove international yen bond issuance in the fiscal year ending March 31 to ¥4.1trn, the largest since fiscal 2007.

Two syndicate bankers said they expected non-G-SIBs will return to the yen market to meet their funding needs. However, it is not yet clear how strong demand will be for TLAC instruments from the 29 G-SIBs on the Financial Stability Board's list.

"We don't see at the moment any specific FIG name planning to sell yen bonds in April or May," said a Japanese syndicate banker. "French banks already issued lots of bail-in bonds this fiscal year,

so they may make a slow start to next fiscal year."

### MREL BONDS EXCLUDED

In the March 15 notice, the Financial Services Agency clearly stated that bonds designed to meet the EU's minimum requirement for own funds and eligible liabilities (MREL) will be exempt from additional capital requirements.

As the April 2018 guidance only mentioned TLAC bonds, many bankers were unsure how MREL bonds would be treated. To address that uncertainty, the FSA spelled out its decision to exclude MREL bonds from its rules. Bail-in senior bonds issued by a non-G-SIB will continue to be treated the same as preferred senior debt.

### 5% THRESHOLD

The FSA also clarified the grandfathering provision. It said last April that domestic banks without branches overseas would face a 150% risk weighting on holdings of TLAC bonds above 5% of their own core

to assess credits in the interbank bond market, all three firms announced plans to set up subsidiaries, although their strategies are very different.

Moody's said it would use its parent company's rating methodology, rating symbols and definitions, while S&P said it would apply a customised rating system and methodology, although it said it would use its global methodology as a reference.

Fitch, meanwhile, which was the last among the three to set up a subsidiary, said it will use a similar methodology to the one it uses globally, adapted to local regulations, and will use a different rating.

The prospect of rating agencies using different methodologies for China has raised questions over whether investors will view the ratings they provide onshore in the same light as they do their international ratings, although S&P's Jin is unconvinced by this argument.

"We made the choice to develop methodologies specific to China's domestic market in recognition of its unique characteristics," he said. "The sheer size of the domestic market is in some respects without a peer."

"These methodologies are still built on the same principles that inform our ratings everywhere and we believe they will be able to bring a granularity and transparency of rating outcome that is currently missing in China."

capital, but said TLAC bonds purchased before March 31 this year would be grandfathered for 10 years. Still, there was some confusion over the 5% threshold, as some bankers thought the 5% test could include TLAC securities purchased before end-March. The FSA clarified that the 150% figure will apply only when new investments reach that level, no matter how much a domestic bank had invested in TLAC bonds it purchased before end-March.

#### G-SIB CHANGES

The FSA also addressed changes to the list of G-SIBs, which is updated every November. Japanese investors will not need to apply the 150% weighting immediately after an issuer is added to the list of G-SIBs, as the FSA said the higher weighting will apply only when the issuer's local authority imposes its local TLAC rule on the bank – usually within 36 months after any change to the G-SIB list.

The clause is relevant in Japan as the latest addition to the G-SIB list, France's Groupe BPCE, is a regular issuer in the

S&P said in January it had received approval to rate all issuers and issuances including financial institutions and corporates, structured finance bonds and Panda bonds. Moody's applied for the same licence, referred to as category A, but a deal with Chengxin – if confirmed – would effectively cancel that application.

Fitch, meanwhile, is applying for a category B licence, which grants limited access based on the National Association of Financial Market Institutional Investors' assessment. Fitch has applied to cover, initially, structured finance as well as financial institutions.

Fitch's Chen said that this was a sensible approach as the firm looked to start rating bonds as soon as possible even if it meant its peers would have a head start in other sectors.

"In the interests of getting up and running quickly, Fitch Bohua has made the decision to focus on specific areas where we think that we can provide a lot more value," he said.

"Fitch Bohua's current focus is on structured finance. That's the fastest growing sector in China at this point and it is a sector where a lot of global investors have interest."

Moody's did not respond to a request for comment.

*(Additional reporting by Yanfei Wang.)*

THOMAS BLOTT

yen market. Its most recent Samurai bond, priced in January, raised a massive ¥163.6bn (US\$1.5bn), including ¥141.2bn of loss-absorbing senior non-preferred debt.

Bankers reckon the 36-month window – together with a rule that TLAC instruments must have more than 12 months to maturity – means Japanese investors may not face higher risk weightings on bonds maturing up to four years after an issuer is added to the G-SIB list.

However, the FSA will apply the 150% weighting for as long as the investor continues to hold the bonds, even if the time to maturity drops below one year.

When an issuer is removed from the G-SIB list, the higher risk weightings will no longer apply, effective immediately. If an issuer is later added again, the 150% weighting will apply when the issuer starts to abide by local TLAC regulations, as above. TLAC bonds purchased before end-March this year will remain grandfathered for 10 years.

TAKAHIRO OKAMOTO

## China pledges 'forceful' market opening

China will sharply expand market access for foreign banks and securities and insurance companies, especially in its financial services sector, Premier Li Keqiang said last Thursday, as senior US officials arrived in Beijing for more trade talks.

"We are quickening the full opening of market access for foreign investors in banking, securities and insurance sectors," Li said in a speech at the annual Boao forum held on China's southern island of Hainan.

The government also will work on more favourable policies for foreign investors to trade Chinese bonds, Li said.

Li's remarks add to speculation that China may soon announce new rules to allow foreign banks and insurance companies to increase their presence in China.

Increased access to financial services markets is among a host of US demands for change from Beijing on trade policies.

Li said the business scope of foreign banks, as well as market access for credit rating companies, bank card settlements and non-bank card payments, will all be "expanded sharply," with restrictions on the scope of foreign securities companies and

insurance brokers expected to be removed.

"Such measures will be implemented this year in a relatively forceful way," he said.

Li said China will also announce policies to help foreigners invest in and trade China's bonds, adding that the country would issue more favorable rules for foreign acquisitions of Chinese-listed companies. Beijing is drafting rules related to a new foreign investment law that was passed earlier this month. The rules are expected to be completed this year.

Sources told Reuters on Wednesday the two countries have made progress in all areas under discussion with unprecedented movement on the touchy issue of forced technology transfers, but there still are differences on protections for intellectual property and how to enforce any deal.

KEVIN YAO, DOMINIQUE PATTON

## HK grants first online-only banking licences

Hong Kong has issued online-only banking licences to three groups, including joint ventures of **STANDARD CHARTERED** and **BOC HONG KONG**, in what could be the biggest shake-up in years in the city's retail banking sector dominated by old-guard lenders.

Besides the StanChart and BOCHK JVs, the Hong Kong Monetary Authority also issued a so-called virtual banking licence to a subsidiary of **ZHONGAN TECHNOLOGIES INTERNATIONAL GROUP**, the international arm of Chinese online insurer ZhongAn Online P&C Insurance.

The licence will give holders access to a lucrative retail banking market in the city, where many consumers are unhappy with the current options.

According to research from Accenture, 43% of Hong Kong residents have a positive experience when visiting their bank branch

compared to a global average of 57%.

"The biggest goal for this year is a super-smooth user experience for core banking services, making sure that it is highly secure, and that our users know that. That's easy to say, but not easy to do," ZhongAn International President Wayne Xu told Reuters in an interview.

But "the path to profitability is very viable," Xu added.

Core offerings would include loans, deposits and transfers, Xu said, and the ZhongAn venture would primarily target three segments of users: a new generation of customers who are fluent in doing everything on a digital device, small and medium-sized enterprises, and start-ups.

However, the entrenched position HSBC, StanChart and a slew of Chinese banks is expected to be a major challenge for the online-only licence holders.

HSBC, for example, made nearly US\$6bn from its Hong Kong retail banking and wealth management operations last year, a third of total group profits, compared with US\$476m in Britain, its second most profitable retail banking market.

"It's definitely a positive for the Hong

Kong market, but the virtual banks have a long way to go," said Hoi Tak Leung, a senior technology sector lawyer at Ashurst.

"There's going to be some fierce competition with each other, and with the incumbents, and it is unlikely all will be successful."

The newly licensed virtual banks plan to launch services in six to nine months, HKMA's deputy chief executive, Arthur Yuen, said, adding the regulator would process five more applications "as expeditiously as possible".

Some 33 virtual banking applications were submitted by the deadline of August 31 last year, and the HKMA short-listed eight.

### DIGITAL STRATEGY

Besides individuals, small firms, which have long complained of difficulties in opening bank accounts in Hong Kong, will also be targeted by the new online lenders, with small loans, foreign exchange and payment services among those on offer.

StanChart will own 65.1% of SC Digital Solutions, with the rest owned by Ctrip Financial, a unit of travel firm Ctrip.com,

## CSRC takes steps to cool overheated CBs

China's securities regulator has announced measures to restrict convertible bond subscriptions after surging demand for the instruments, prompted by this year's stock market rally, raised concerns over market liquidity.

Under the new measures, announced

by the China Securities Regulatory Commission in a statement last Monday, each investor will be permitted to use only one securities account for convertible bond subscriptions. Previously, there were no such restrictions, and the tightening measures come at a time when demand for the convertible bonds has far outpaced supply.

The state-run Securities Times reported Tuesday that some brokerages had used hundreds of securities accounts each to bid for recent new issuance.

Investors see convertible bonds as a low-risk investment option to catch up with

the recent rally in Chinese A-shares.

China's blue-chip CSI300 index has risen nearly 23% this year, making it the world's best-performing major index, though the rally has been driven more by investor optimism than fundamentals.

Ming Ming, head of fixed income research at Citic Securities in Beijing, said the tightening measures are expected to help more investors purchase convertible bonds in the primary market.

"The fever for chasing new issuance when it is listed (on the secondary market) is likely to be brought down," he said.

Earlier this month, a Rmb40bn

### IN BRIEF

#### Citigroup SESC seeks JGB-related fine

Japan's SESC market watchdog said last Tuesday it had recommended a US\$1.2m fine against a British unit of **CITIGROUP** for alleged manipulation of Japanese government bond futures.

The incident marks the latest crackdown by Japanese authorities over alleged attempts to manipulate prices in the JGB futures market. The SESC said an employee of UK-based Citigroup Global Markets Limited placed

buy and sell orders for 10-year JGB futures without the intention to execute. The SESC recommended a penalty of ¥133m.

Citigroup said it takes the recommendation seriously.

"Citi will place the utmost priority on further enhancing governance and internal control to comply with the financial regulations and directives," it said in a statement.

The SESC does not itself issue fines, which are ultimately handed down by the Financial Services Agency regulator.

In July the regulator slapped a fine of ¥218m on

a joint venture of Mitsubishi UFJ Financial Group and Morgan Stanley for trying to manipulate bond future prices.

#### China Construction Bank First quarterly profit drop since 2015

**CHINA CONSTRUCTION BANK** posted a 1% drop in fourth-quarter net profit on Wednesday, its first quarterly growth decline since 2015, as it beefed up provisions against rising bad loans amid narrowing interest margins.

China's second-biggest lender by assets saw profit dip to Rmb40.55bn (US\$6.03bn) in the October to December period from Rmb41.02bn a year earlier,

as well as Hong Kong-based telecoms groups PCCW and its unit HKT Trust and HKT.

BOC Hong Kong, a unit of Bank of China, will own 44% in Livi VB, while JD Digits, a financial affiliate of Chinese e-commerce firm JD.com, will hold 36% and retail and property group Jardines 20%.

ZhongAn International is a joint venture founded in 2017 between a subsidiary of ZhongAn Online and realtor Sinolink Group.

ZhongAn Insurance's executive chairman, Ou Yaping, sits on Sinolink's board and holds a 45% stake in the company, according to Refinitiv data.

Xu said ZhongAn, China's first online insurer, would bring its technology platform and experience of operating online financial services. Sinolink will "will provide local access, capital and a lot of local knowledge", he added.

StanChart, which makes the bulk of its revenue in Asia, has made investing in digital technology to accelerate growth in retail banking a key part of its new strategy.

ALUN JOHN, SUMEET CHATTERJEE

(US\$5.96bn), six-year convertible bond issuance by China Citic Bank attracted orders of Rmb57trn.

Excluding the portion of the deal reserved for existing major shareholders, the Rmb10.4bn public tranche was 5,497 times oversubscribed.

The official China Securities Journal reported earlier in the year that convertible bonds issued by Ping An Bank in January were 1,400 times oversubscribed, with Rmb10.75trn worth of institutional money bidding for about Rmb8bn of securities on sale.

WINNI ZHOU, ANDREW GALBRAITH

according to Thomson Reuters calculations based on the company's annual figures.

That missed a Rmb43.34bn average of analysts' estimates compiled by Refinitiv SmartEstimate, weighted in favour of the more accurate analysts. Full-year net profit rose 5% to Rmb254.66bn. CCB's non-performing loan ratio eased to 1.46% as at the end of the year from 1.47% at September-end, while its total amount of NPLs stood at Rmb200.88bn.

To cushion against credit risks, CCB increased its provision coverage ratio to 208.37%, from 171.08% in 2017.

Its net interest margin shrank to 2.31%, from 2.34% three months earlier.

## Nomura, JPM win approval for majority JV stakes

**NOMURA** and **JP MORGAN** have received approval from the China Securities Regulatory Commission to set up majority-owned securities joint ventures in China.

Nomura said its new venture, Nomura Orient International Securities, would be registered in Shanghai and would initially focus on wealth management before expanding into wholesale businesses.

Orient International, a state-owned commodities trading and logistics firm, is understood to be one of the shareholders in the JV, IFR reported earlier this month. Nomura will hold a 51% stake.

JP Morgan said it would have a majority stake and management control in JP Morgan

Securities (China), without naming its partners.

Last April, the CSRC allowed foreign banks to raise their shareholdings in securities JVs to 51%, with the aim of eventually removing the cap altogether within three years. Banks were also allowed to partner with non-securities firms for the first time.

UBS Securities officially submitted its application to raise its stake from from 24.99% to 51% two days after the announcement, and finally completed its acquisition of a majority stake in its JV last December.

Nomura and JP Morgan applied on May 8 and May 10, respectively.

Morgan Stanley, which currently holds a 49% stake in Morgan Stanley Huaxin Securities, is preparing to increase its shareholding to 51%, while other banks with existing JVs are expected to follow suit.

KAREN TIAN, FIONA LAU

### WHO'S MOVING WHERE...

■ **JP MORGAN** has named *Paul Uren* co-head for its global investment banking coverage in the Asia Pacific region, according to an internal memo seen by Reuters last Wednesday.

Uren, who joined JP Morgan in 2015, will replace John Hall, who returns to the United States after six years in Asia as vice chairman of investment banking, and will support Asia Pacific client coverage, the memo said.

In his new role, Uren, who was made senior country officer in Australia and New Zealand in 2017, will be responsible for the Wall Street bank's investment banking coverage along with Murli Maiya, it said.

A spokeswoman for JP Morgan confirmed the content of the memo.

■ Alternative investment manager **OAKTREE CAPITAL GROUP** is relocating one of its top distressed

debt managers to Hong Kong from London in early April.

*Pedro Urquidi*, global co-portfolio manager and head of distressed debt for Europe and Asia, will continue to lead Oaktree's non-US distressed debt business as global co-portfolio manager within the distressed debt group. Urquidi will be Oaktree's most senior investment professional based full-time in Asia. He joined Oaktree in 2005, having previously worked for Morgan Stanley in London, New York and Hong Kong.

"Pedro has successfully built out and led Oaktree's European distressed debt business, in addition to launching our dedicated Asian distressed debt effort, and has focused on generating strong investment performance on large sums of aggregate capital deployed," said Bruce Karsh, Oaktree's co-chairman and CIO.

### Citigroup Eight traders fired in Hong Kong

**CITIGROUP** has fired eight bankers and suspended three others from its equities trading desk in Hong Kong after an internal probe revealed misconduct in their dealings with clients, people with knowledge of the matter said.

The action was taken after a review raised concerns related to the accuracy of disclosure to clients by the involved sales traders on some transactions where Citi was acting in a principal capacity, one of the people said.

"A review of Hong Kong-based cash equities execution identified personal conduct that did

not meet our standards and we have taken appropriate action," the US bank said in a statement to Reuters on March 23.

"Instances where the capacity in which Citi was acting was not accurately represented were detected in relation to facilitation trading," it said. The names of the traders against whom actions were taken were not immediately known. Citi said it was fully compliant with relevant local regulations, and "enhanced regional procedures and controls for facilitation trading" had been introduced to ensure complete transparency.

The bank said its clients had been notified about the development.



## Aussie banks push back on T2 plan

The Australian Prudential Regulation Authority is preparing to release its final total loss-absorbing capacity (TLAC) framework after local banks argued against proposals that will have huge implications for major bank funding costs.

APRA proposed last November that the country's four biggest and systemically important banks increase their stock of loss-absorbing capital to 18.5%–19.5% of risk-weighted assets, from the current 14.5%, primarily through the increased issuance of subordinated Tier 2 instruments.

Such a change would translate into a massive A\$80bn (US\$56bn) or so of new Tier 2 capital to meet the instrument's revised 6%–7% share of risk-weighted assets before TLAC comes into full effect in 2023, a tripling or more of the current 2% Tier 2 capital target.

"We've received feedback that our proposals need some revision," APRA chairman Wayne Byres said last week at the Australian Financial Review Banking and Wealth Summit in Sydney.

"We will look at this carefully, but we do not wish to jeopardise two key objectives: developing a framework that is relatively simple to implement and understand, and that does not jeopardise the access to funding that high credit ratings provide."

### HIGHER FUNDING COSTS

The major banks argue such a large Tier 2 target is unrealistic given investor capacity constraints both at home and in often fickle overseas markets.

Instead the majors have suggested a smaller increase in Tier 2 capital of around two percentage points, for a 4% share of RWA, and/or the introduction of senior non-preferred notes into the Australian market.

Loss-absorbing SNP or so-called Tier 3 notes rank above subordinated (Additional Tier 1 and Tier 2) debt in banks' capital structures but below ordinary senior debt.

Many European banks regularly issue senior non-preferred bonds that are typically rated two notches below standard senior bonds by the three main rating agencies. US banks have mostly met their TLAC requirements by issuing through their holding companies.

Australian major banks' Tier 2 notes are rated Baa1/BBB (Moody's/S&P), four and five notches below their Aa3/AA– senior ratings, which include a two-notch bump to reflect implicit government support.

The last Australian major to issue Tier 2 notes in the local market was Westpac, back in June 2018, with a A\$725m 10-year non-call five priced at three-month BBSW plus 180bp, double the 90p paid by National Australia Bank a month earlier

for a A\$1.6bn senior unsecured five-year floating-rate note.

A five-year non-preferred note would likely come around the middle of that margin range, according to syndication managers.

The regulator expects the proposed change would increase each major bank's cost of funding – incrementally over four years – by up to 5bp based on last November's pricing levels.

However, some bankers believe this likely understates the true cost to the banks' bottom lines.

It is certainly questionable whether APRA will prove sympathetic to the major banks' arguments. "In light of the scathing Royal Commission, APRA may not want to be seen backing down to bank pressure, while it also has a track record of delivering reforms that are remarkably similar to its original discussion papers," said a local DCM manager.

He also pointed out that the introduction of non-preferred notes may require a statutory solution through changes in the Banking Act. This is an unlikely near-term prospect with a federal election due in May.

APRA has not set a deadline to publish its findings from the consultation, but Pat Brennan, executive general manager, Policy and Advice Division, said on March 19 that it would do so "as swiftly as possible". His comments suggest a response may be ready within weeks rather than months.

JOHN WEAVERS

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## AUSTRALIA

### DEBT CAPITAL MARKETS

#### › QBE REPURCHASES 2022 BOND

**QBE INSURANCE GROUP** has bought back US\$176.39m of its US\$200m 3.0% October 21 2022 senior bond under a repurchase tender offer.

QBE paid 101.5 for US\$174.34m of bonds that were tendered by the March 8 early bird offer date, and face value for US\$2.05m of bonds that were tendered after March 8 but before the offer closed on March 25.

The Australian insurer also won consent from bondholders to redeem all of the outstanding bonds.

DF King was information, tabulation and tender agent.

#### › MACQUARIE OPENS TENDER OFFER

**MACQUARIE GROUP** has announced a cash tender offer for up to €100m (US\$113m) of its €500m 1.25% fixed-to-floating March 5 2025 bond at a spread of mid-swaps plus 115bp.

HSBC and ING are dealer managers for the offer, which expires on April 2 ahead of pricing the following day.

#### › WOOLWORTHS MARKETS GREEN DEBUT

**WOOLWORTHS**, rated Baa2/BBB (Moody's/S&P), has mandated ANZ, Citigroup and JP Morgan to arrange investor meetings in Australia and Asia commencing April 4 for a potential inaugural Australian dollar Green bond offering.

The leading Australian and New Zealand retailer previously sold a A\$500m (US\$355m) seven-year domestic MTN in 2012, the 6.0% March 21 2019s, which matured recently.

That transaction enjoyed substantial scarcity value as a rare corporate blue chip issue in a financial-dominated market.

As a result it priced around 25bp–30bp inside major bank curves, despite being rated three notches lower by S&P at the time, at A– versus AA–.

Woolworths has subsequently been downgraded two notches by S&P to BBB and has an equivalent Moody's rating of Baa2.

#### › BWP TRUST READIES THIRD BOND

**BWP TRUST**, rated A3/A– (Moody's/S&P) held a conference call last Friday for a potential Australian dollar offering arranged by CBA and Westpac.

BWP Trust previously issued a A\$110m 3.5% five-year MTN in May 2017 following a debut A\$200m five-year MTN three years earlier.

BWP is a listed managed investment scheme, which invests in commercial real estate throughout Australia.

#### › DOWNER ENGINEERS ROADSHOW

**DOWNER GROUP FINANCE**, the borrowing entity of engineering group Downer, rated BBB (Fitch), has mandated Mizuho, NAB and Westpac to arrange investor meetings in Australia and Asia from April 4 for a potential Australian dollar issue.

Downer Group previously issued a A\$250m 4.5% seven-year medium-term note in March 2015 following a A\$150m 5.75% 5.5-year sale in May 2013.

#### › SSA TRIO RAISE A\$400M

Three regular Triple A rated SSA visitors accessed the Kangaroo market last week for a combined A\$400m.

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT** added A\$200m to its 2.9% November 26 2025 Green bond on Wednesday to take the new outstanding amount to A\$500m.

The reopening, via sole lead TD Securities, priced at 105.255 for a yield of 2.05%, 36bp wide of asset swaps and 53.3bp over the April 2025 ACGB.

The World Bank funding arm raised A\$300m from the initial sale on November 16 2016 which priced to yield 2.9575%, 39bp and 48bp wide of asset swaps and ACGBs.

The proceeds of the bond will support the financing of eligible projects that seek to mitigate climate change or help affected people adapt to it, according to the IBRD's Green bond framework.

On the same day the **INTER-AMERICAN DEVELOPMENT BANK** increased its 4.75% August 27 2024s by A\$100m to raise the size of the line to A\$1.2bn.

Nomura was sole lead manager for the tap which priced at 114.134 to yield 1.977%, 38bp and 48.5bp wide of asset swaps and the April 2024 ACGB.

At the short end, German government-guaranteed agency KfW tapped its 6.0%

August 20 2020s for A\$100m, lifting the issue to A\$3.0bn.

Thursday's increase, arranged by RBC Capital Markets, priced at 105.779 for a yield of 1.745%, at margins of 24bp and 15.5bp over asset swaps and the April 2020 ACGB.

### STRUCTURED FINANCE

#### › COLUMBUS ANCHORS A\$750M RMBS

**COLUMBUS CAPITAL** priced an upsized A\$750m (US\$532m) prime RMBS last Tuesday through Columbus Capital Triton 2019-2.

NAB was arranger for the offering that had an indicative issue size of A\$500m. NAB was also a joint lead manager with SMBC Nikko, Standard Chartered and Westpac.

The A\$577.5m Class A1-AU and A\$60m Class A1-4Y notes, with respective weighted-average-lives of 2.1 and 4.0-years, priced 130bp and 170bp wide of one-month BBSW.

The A\$37.5m Class A2, A\$48m Class AB, A\$13.125m Class B and A\$9.375m Class C notes, all with 3.8-year WALs, priced at one-month BBSW plus 190bp, 210bp, 240bp and 300bp.

The A\$2.25m Class D, A\$1.125m Class E and A\$1.125m Class F notes, with 3.8, 3.6 and 4.0 year WALs, were preplaced at 380bp, 575bp and 725bp over one-month BBSW.

Credit support for the Class A1 notes is 15%. For the Class A2 to E notes support is 10%, 3.6%, 0.6%, 0.3% and 0.15%, respectively.

The non-bank lender previously issued a capped A\$400m prime RMBS, Triton Trust No 8 Bond Series 2019-1, on January 16.

That issue's A1-AU, D and E notes priced with the same BBSW margins as the new equivalent notes of 130bp, 380bp and 575bp.

However, the Series 2019-1 Class AB, B and C notes priced 10bp, 5bp and 20bp tighter than the new notes, despite a significant tightening in senior unsecured credit spreads over the last two months.

On January 17 Westpac paid a 114bp margin for a A\$2.25bn five-year MTN issue, whereas a new major bank five-year would currently price around 97bp over, according to syndication desks.

#### › AFG MARKETS EIGHTH PRIME RMBS

**AUSTRALIAN FINANCE GROUP** has released initial guidance for its eighth prime RMBS offering, the indicative A\$350m **AFG 2019-1 TRUST** which is expected to launch and price this week.

NAB is arranger and joint lead manager with ANZ and UOB.

For the A\$66.5m Class A1 and A\$248.5m Class A2 notes, with 0.4 and 3.1-year WALs, price talk is one-month BBSW plus 85bp-95bp area and 130bp area.

For the A\$22.75m Class AB, A\$4.9m Class B, A\$3.85m Class C and A\$1.575m Class D notes, all with 4.4-year WALs, guidance is one-month BBSW plus 220bp area, 250bp area, low 300bp area and 400bp area, respectively.

Guidance for the A\$0.875m Class E notes with a 4.2-year WAL is one-month BBSW plus low 600bp area.

The transaction is completed by A\$1.05m of retained Class F notes.

The non-bank lender previously accessed the market in June 2108 with the A\$350m AFG 2018-1 Trust prime RMBS issue.

#### BLUESTONE SETS RMBS GUIDANCE

Non-bank lender **BLUESTONE** has released initial guidance for an indicative A\$400m **SAPPHIRE 2019-1 TRUST** RMBS issue, expected to launch and price this week.

NAB is arranger and joint lead manager with CBA, Deutsche Bank and Macquarie.

Price talk for the A\$80m Class A1S, A\$180m Class A1L and A\$83.6m Class A2 notes, with 0.4, 2.7 and 2.7-year WALs, is one-month BBSW plus 85bp-90bp area, 145bp area and 225bp area.

Guidance for the A\$30m Class B, A\$5.6m Class C, A\$7.2m Class D and A\$4.4m Class E notes, all with 3.7-year WALs, is one-month BBSW plus 255bp area, 330bp area, 430bp area and low-to-mid 600bp area.

For the A\$4.8m Class F notes with a 2.9-year WAL, guidance is 750bp area over one-month BBSW.

The transaction is completed by A\$4.4m of retained Class G notes.

Bluestone, which specialises in near-prime residential lending, sold three non-conforming RMBS in 2018, the last of which was November's A\$350m trade through Sapphire XX Series 2018-3 Trust.

## SYNDICATED LOANS

#### WESFARMERS TAPS LOANS FOR LYNAS

Australian conglomerate **WESFARMERS** plans to fund its acquisition of rare-earths miner **LYNAS** with a mix of cash and committed bank facilities.

The company has around A\$3bn (US\$2.1bn) of committed bank facilities that were not cancelled after the demerger with Coles Group was completed last November.

On Tuesday, Wesfarmers launched a surprise A\$1.5bn bid for Lynas, swooping on the mining company as it fends off worries about political risk at its plant in Malaysia, Reuters reported.

The acquisition proposal is a via scheme of arrangement but the Lynas board has said it will not engage with Wesfarmers on the terms recommended and asked its shareholders to not take any action.

In the six months ended December 31, Wesfarmers' net debt fell sharply to A\$324m from A\$3.9bn, mainly on account of asset sales and strong cash generation.

#### DBP LAUNCHES A\$300M REFI

**DAMPIER BUNBURY PIPELINE** has launched a A\$300m secured term loan for refinancing purposes.

Sumitomo Mitsui Banking Corp is the mandated lead arranger and bookrunner of the facility, which comprises a A\$125m five-year tranche and a A\$175m seven-year portion.

The respective interest margins for the five and seven-year tranches are 120bp over BBSY and 140bp over BBSY.

Lenders are being offered 50bp and 70bp fees for A\$50m commitments for the five and seven-year tranches, respectively, giving an all-in pricing of 130bp for the five-year tranche and 150bp for the seven-year piece.

Roadshows will be held on April 2 in Taipei, April 3 in Hong Kong, April 4 in Singapore and April 8 in Sydney.

DBP – the operator of the privately owned Dampier to Bunbury Natural Gas Pipeline in Western Australia state – transports gas from plants on the Pilbara Coast to demand centres in Pilbara and other parts of the state.

A CK Infrastructure Holdings-led consortium bought DBP's parent company DUET Group in 2017.

#### PEET REFINANCES A\$150M LOANS

Real estate developer **PEET** has refinanced A\$150m in term loans with ANZ and National Australia Bank, extending the maturities and cutting the pricing, a

# EG Group closes A\$400m TLB for buyout

## Loans UK forecourt operator expected to tap high-yield bond for funding remainder of asset purchase

UK forecourt operator **EG GROUP** has successfully closed a A\$400m (US\$286m) term loan B that partially finances its acquisition of the petrol business of Australian supermarket chain Woolworths.

Australian and international institutional investors came into the deal, which priced at an interest margin of 500bp over BBSY, the tight end of the 500bp–525bp over BBSY guidance.

The deal, which closed last Tuesday and will mature on February 6 2025, has a 99 original issue discount (OID) and a 0% floor.

Barclays, Deutsche Bank and UBS were the mandated lead arrangers and bookrunners. Barclays was the left lead and physical bookrunner.

EG Group is also expected to tap a high-yield bond denominated in US dollars or

euros to fund the acquisition, which is slated for financial close on April 1.

Last November, EG Group announced a binding agreement with Woolworths to buy the latter's network of 540 petrol stations in Australia for A\$1.725bn. The countrywide network generated A\$4.8bn in revenues for Woolworths and sold 3.6 billion litres of fuel in the year ended June 30 2018.

The A\$400m TLB carries a maturity of less than six years, matching that of an existing TLB.

Last October, EG Group completed a US\$310m-equivalent add-on loan backing its acquisition of US convenience store chain Minit Mart. Barclays was the sole lead on the seven-year first-lien senior secured TLB, which comprises a US\$225m tranche and a €75m (US\$85m) tranche. Both priced at

400bp over Libor/Euribor with a 0% floor, in line with guidance. The dollar loan was issued with a 99.875 OID having been offered at 99.75. The euro loan allocated at par, unchanged from launch.

Last March, EG Group raised US\$2.55bn-equivalent of loans to back its acquisition of US food retailer Kroger and 97 Esso-branded petrol stations from NRG Value.

Private equity firm TDR Capital acquired a minority stake in the borrower in early 2016 for €1.3bn, when it traded under Euro Garages. The company merged with European Forecourt Retailer in November 2016 and was renamed EG Group. The company operates 4,700 sites across Europe and the US.

PRAKASH CHAKRAVARTI

company official said last Monday.

The official did not disclose the pricing.

Earlier on Monday the company announced the extension of the senior debt by three years to October 1 2022 from October 1 2019.

The company also announced the launch of a senior unsecured notes offering of up to A\$75m.

The two capital management initiatives have increased the weighted average debt maturity of the company's debt to 3.5 years from 2.3 years as at December 31 2018.

Peet had A\$178m of loans outstanding as at December 31, including A\$28m of facilities related to funds in which it has equity stakes.

#### ▶ GASCOYNE OBTAINS WAIVERS FOR LOAN

Australian gold miner **GASCOYNE RESOURCES** has obtained waivers and revised the repayment schedule on A\$72m in loans after posting a sharp net loss in the half-year period to December 31 2018, it said in a statement last Wednesday.

The borrowings that have been amended include a A\$60m 4.5-year term loan signed with *Commonwealth Bank of Australia* and *National Australia Bank* in December 2017 and a A\$12m working capital facility with *NRW* signed last December.

The A\$60m loan was fully drawn by June 2018 and has a final maturity in June 2022. Gascoyne made a principal repayment of A\$1.6m by December, according to the original amortisation schedule.

Subsequent to that repayment, Gascoyne has obtained a waiver under which it will repay A\$1m in principal each quarter this year, thereby deferring repayment of the balance A\$19.4m principal due in 2019.

The company also obtained waivers on certain quarterly ratio tests through to March 2020. Before December 15, lenders will be provided with a revised 'life of mine' plan according to the normal business cycle, which would then lead to a revision in loan repayments from 2020 based on the revised cash flows.

GNT Resources, a wholly owned subsidiary of Gascoyne, is the borrower on the loan, which was part of the overall funding to develop the Dalgara gold project.

Separately, Gascoyne also amended its repayment terms on the A\$12m working capital facility with *NRW* that was fully drawn in January. The repayments on the facility will begin in January 2020, six months later than originally scheduled.

The company is currently planning an equity fundraising.

Gascoyne posted a net loss of A\$47.2m in the half-year ending December 31

## Nufarm to refi borrowing

### ■ Loans Chemco in talks with Euro lender reviewing exposure to Australia

Chemicals manufacturer **NUFARM** is in talks to refinance a A\$107.61m (US\$77m) loan from a European bank, which is reviewing its exposure to the Australian market.

The negotiation has led to Nufarm classifying the loan as current and due by the end of 2019, according to its half-year results ended January 31 2019 published last Wednesday.

"The discussions are preliminary and it is likely that that bank will continue to lend to Nufarm albeit supporting its European business," one source said.

The loan being refinanced is part of A\$645m now outstanding on a senior secured three-year revolving credit facility that has changed size a few times in the last two years. The repayment of the loan has been changed following negotiations between Nufarm and lenders between July last year and January this year, with A\$175m due in January 2021 and A\$470m due in January 2022.

Previously the entire loan was due in January 2021.

The A\$645m revolver is negotiated every year, another source said.

Nufarm is looking to amend the loan again

as the European lender is seeking to cut its exposure.

The loan was first put in place as a A\$530m refinancing in 2013 with 10 lenders – ANZ, BBVA, Credit Suisse, Deutsche Bank, HSBC, Industrial and Commercial Bank of China, Mizuho Bank, Rabobank, UBS and Unicredit.

The latest talks on refinancing come amid a sharp rise in the company's net debt and leverage. According to Nufarm's latest half-year results, net debt rose to A\$1.6bn from A\$981m a year earlier mainly because of increased net working capital of A\$550m as a result of higher sales in North and Latin America, and dry conditions in Australia, New Zealand and Europe.

That led to a jump in leverage to 3.65x from 1.41x. The company plans to reduce working capital to A\$1.3bn–\$1.4bn by July 31 from A\$1.7bn on January 31, which would help bring down leverage to well below 3x.

As of January 31, Nufarm had drawn A\$1.9bn out of A\$2.3bn in total debt available. A year earlier, the company had drawn just A\$916m out of A\$2.1bn available. SOPHIA RODRIGUES

2018, significantly higher than the loss of A\$1.98m recorded in the same period the previous year. Its current liabilities exceeded current assets by A\$30m at the end of 2018.

## EQUITY CAPITAL MARKETS

### ▶ CHARTER HALL SEALS PLACEMENT

**CHARTER HALL EDUCATION TRUST**, an Australian real estate investment trust, has raised A\$120m from an upsized institutional placement.

"In light of significant demand from new and existing institutional investors, the size of the placement was increased from A\$100m to A\$120m", it said in an announcement.

The REIT sold 35.8m new shares, or about 13.9% of the enlarged share capital, up from the original offer size of 30m shares.

The shares were sold at A\$3.35 per share, a 6.1% discount to the pre-deal close of A\$3.57, or a 5.1% discount to the adjusted pre-deal close of A\$3.53.

The REIT is also offering a A\$5m non-underwritten unit purchase plan which

eligible unitholders can subscribe to up to a maximum of A\$15,000 of new shares at A\$3.35 each.

Charter Hall Education Trust's shares fell 1.4% to close at A\$3.52 last Wednesday. The stock is up 18.9% in the year to date.

The REIT will use about A\$75m of the proceeds to purchase 13 early learning centres, expanding its portfolio to 426 properties after the acquisition. The remainder will be used to reduce debt.

*JP Morgan* is the underwriter of the placement.

## CHINA

## DEBT CAPITAL MARKETS

### ▶ BANK OF GANSU PLANS OFFSHORE ATI

**BANK OF GANSU** said its board has approved a plan to issue up to Rmb10bn-equivalent (US\$1.48bn) of offshore preference shares to replenish its Additional Tier 1 capital, according to a stock exchange filing.

The plan still needs approval from shareholders and regulators.

The lender, the only provincial city commercial bank in northwestern China's Gansu province, completed a Hong Kong IPO in January last year.

#### BEIJING EASYHOME PRINTS SMALL DEBUT

BEIJING EASYHOME INVESTMENT HOLDING GROUP has raised US\$138m from a debut US dollar bond offering in order to repay debt and fund capital expenditure and other

general corporate purposes.

The three-year senior unsecured bonds were priced at par to yield 6.5%, in line with price guidance.

The Reg S bonds will be issued by wholly owned subsidiary China Bright (Hong Kong) and guaranteed by Beijing Easyhome Investment. The bonds are expected to be rated BB+ by S&P, in line with the guarantor.

Barclays and CICC were joint global coordinators. They were also joint bookrunners with China Minsheng Banking

Corp Hong Kong branch, Silk Road International and BOSCO International.

Beijing Easyhome operates shopping centres across China that sell home furnishings and building materials. In 2018 it formed a strategic partnership with Alibaba Group Holding to develop its e-commerce operations.

S&P noted in a ratings report that Beijing Easyhome leases most of its shopping centres from independent property owners for 15 to 20-year terms and then sub-lets to third-party retailers.

## Two Chinese LGFVs draw huge order books

### ■ Bonds Supportive policies, thin supply make LGFV bonds hot

Two Chinese local government financing vehicles drew huge orders for their offshore bond offerings last week, thanks to robust market conditions, the government's supportive policies and thin supply from high-quality LGFVs lately.

On Thursday, GUANGZHOU INDUSTRIAL INVESTMENT FUND MANAGEMENT, rated BBB+/A- (S&P/Fitch), attracted final orders of over US\$7bn from 211 accounts for its US\$500m bond issue, or 14 times the issue size.

YUNNAN METROPOLITAN CONSTRUCTION INVESTMENT GROUP, rated BBB+ by Fitch, priced US\$800m of bonds after drawing over US\$3bn of final orders from 128 investors the same day.

"Demand for LGFV bonds was strong given the relatively thin supply this year, especially from high-quality names," said a banker involved in both deals. "Indeed, LGFV bond yields have tightened a lot in the secondary market. The robust demand was somewhat expected."

GIIFM priced its new issue inside its curve, while Yunnan Metropolitan Construction's deal was priced at fair value according to the banker.

GIIFM, an investment and financing company that the Guangzhou municipal government uses to fund local industries and urban development, priced the five-year senior Reg S bonds at par to yield 4.75%, the tight end of final guidance of 4.8% (+/- 5bp) and 55bp tighter than initial 5.3% area guidance.

GIIFM's 3.85% 2021s were spotted at a yield of 4.246% before the announcement of initial guidance. For yield curve extension, bookrunners used Yuexiu Property's 5.375% 2023s as comparables, which were spotted at 4.187%.

For Yunnan Metropolitan Construction, its 5.50% three-year senior Reg S bonds were

priced at 99.727 to yield 5.60%, well inside initial guidance of 6% area.

Bookrunners used Yunnan Provincial Energy Investment Group's 6.25% 2021s and Yunnan Provincial Investment Holdings Group's 6.25% 2022s as comparables, and the two were trading at 5.178% and 5.269% ahead of the release of initial guidance.

"Demand for Yunnan Metropolitan Construction was not as hot as GIIFM and a critical factor was the big issue size," the banker said. "Investors are more comfortable with issue sizes of around US\$500-\$600m. Given the relatively big issue size and weaker credit metrics than the two comparables, I think the final pricing is fair," he said.

Nomura's trading desk saw the relative value of the offering from Yunnan Metropolitan Construction around 5.5%-5.6%.

#### STRONG MOMENTUM

Nomura said the tight relative value is "merely driven by the positive investment momentum in the LGFV/local SOE space rather than reflecting underlying value based on company profile and fundamentals".

The rally in LGFV bonds this year has been partly driven by government policies, which have included monetary easing and a relaxation of the rules on domestic corporate bond issuance by LGFVs.

GIIFM's new bonds traded well in the secondary market and were quoted at 100.763/101.150 late Friday morning, against the reoffer of 100, according to Tradeweb. Yunnan Metropolitan Construction's new bonds, however, traded slightly weaker at 99.381/99.500, against the reoffer of 99.727.

GIIFM's bonds, with an expected A- rating from Fitch, will be issued by wholly owned subsidiary Vertex Capital Investment and unconditionally and irrevocably guaranteed by GIIFM. Proceeds will be used for debt

refinancing and general corporate purposes.

Asia took 95% of the notes and Europe 5%. By investor type, 56% went to banks and financial institutions, 42% went to fund managers, asset managers, insurers and sovereign wealth funds, and 2% to private banks.

Yunnan Metropolitan Construction's new bonds will be issued by subsidiary Caiyun International Investment with a guarantee from the parent. The bonds have an expected BBB+ rating from Fitch. Proceeds will be used for general corporate purposes.

Asia took 96% of the bonds and Europe 4%. By investor type, 75% went to fund managers and asset managers, 12% to banks, 12% to private banks, and 1% to others.

Yunnan Metropolitan Construction is involved in urban development, including the provision of affordable housing and the redevelopment of shantytowns. It also builds and operates wastewater treatment and water supply facilities, as well as solid waste treatment and medical waste management facilities.

Citigroup and Standard Chartered Bank were global coordinators, as well as joint lead managers and joint bookrunners with BoCom International, China Industrial Securities International, China Minsheng Banking Corp Hong Kong branch, Guotai Junan International, Haitong International and ICBC International on Yunnan Metropolitan Construction's deal.

For GIIFM's transaction, Guotai Junan International, DBS Bank, BOC International and ABC International were joint global coordinators as well as joint bookrunners and joint lead managers with Bank of China, Haitong International, Orient Securities (Hong Kong), CNCB HK Capital, Huatai Financial Holdings (Hong Kong) and CMBC Capital. CAROL CHAN

## BOC AVIATION EYES YANKEE

**BOC AVIATION**, rated A-/A- (S&P/Fitch), has appointed *BNP Paribas*, *BOC International*, *Citigroup*, *DBS*, *HSBC*, *MUFG*, *OCBC*, *UOB* and *Westpac* as joint bookrunners to arrange investor calls and meetings in Asia, which began on March 29.

A US dollar 144A/Reg S senior unsecured bond offering under a US\$10bn GTMN programme may follow, subject to market conditions.

The proposed bonds have expected ratings of A-/A- (S&P/Fitch).

BOC Aviation is a global aircraft leasing company headquartered in Singapore and 70%-owned by Bank of China.

## COUNTRY GARDEN PRICES BIG ISSUE

**COUNTRY GARDEN HOLDINGS**, rated Ba1/BB+/BBB-, has priced US\$1.5bn dual-tranche senior bonds after drawing over US\$2.9bn of final orders.

A US\$550m 6.50% five-year non-call three tranche and a US\$950m 7.25% seven-year non-call four tranche were both priced at par, inside initial guidance of 6.75% area and 7.5% area, respectively.

The Reg S issue has an expected BBB- rating from Fitch.

The Hong Kong-listed Chinese real estate company intends to use the proceeds mainly to refinance offshore debt.

Final orders for the five-year non-call three tranche were over US\$1.1bn from

93 accounts. Asia took 96% of the notes and EMEA 4%. By investor type, 61% went to asset managers, 26% to private banks and corporates, 12% to banks, and 1% to sovereign wealth funds.

For the seven-year non-call four tranche, final orders were over US\$1.8bn from 88 accounts. Of the notes, 97% went to Asia and 3% to EMEA. By investor type, 48% went to asset managers, 46% to private banks and corporates, and 6% to banks.

*Morgan Stanley*, *Goldman Sachs*, *BNP Paribas*, *HSBC* and *ICBC (Asia)* were joint global coordinators, joint lead managers and joint bookrunners.

## HONG KONG JUNFA DEBUTS

Chinese property developer **HONG KONG JUNFA PROPERTY**, rated B+ by Fitch, last Thursday priced a debut US\$100m two-year bond at 13%, in line with final price guidance.

*CICC*, *Guotai Junan International*, *Zhongtai International* and *CRIC Securities* were joint global coordinators, as well as joint bookrunners with *AMTD* for the senior Reg S offering.

The notes have an expected rating of B+ from Fitch.

Wholly owned subsidiary *Power Best Global Investment* will issue the bonds with a guarantee from Hong Kong Junfa Property.

On March 13, wholly owned Chinese subsidiary Junfa Group issued Rmb2bn four-year bonds at 8%.

## MEINIAN ONEHEALTH PRINTS DEBUT

Medical examination centre operator **MEINIAN ONEHEALTH HEALTHCARE HOLDINGS**, rated Ba2/BB+ (Moody's/Fitch), has raised US\$200m from a debut US dollar bond offering for debt refinancing and general corporate purposes.

The company last Wednesday priced the 7.75% two-year senior unsecured bonds at 98.647 to yield 8.5%, against initial guidance of high 8%.

The newly priced bonds traded weakly in the secondary market and were bid at around 8.8% in the secondary market on Thursday morning.

A banker on the deal said the company offered a generous premium as it is privately owned and a first-time issuer, but demand was still lacklustre even in a constructive market.

Bookrunners used *Fosun International*'s 6.875% 2021s, rated Ba2 by Moody's and BB by S&P, as one of the comparables, which were spotted at 5.85% before the announcement of IPG.

"Investors are cautious towards non-property, privately owned companies. Investors prefer issuers with assets such as land and properties that they feel are more secure," he said.

Final statistics of the deal were not available at the time of writing but orders were said to be only US\$450m, including interest from leads, ahead the release of FPG.

Wholly owned offshore subsidiary *Mei*

# AIIB warming up for capital markets debut

## Bonds Multilateral development bank preparing long-delayed bond issue

The **ASIAN INFRASTRUCTURE INVESTMENT BANK** is gearing up to make its long-awaited capital markets debut, bankers said, a rumour that was strengthened by Moody's affirming its Aaa (stable) rating.

Moody's in a report last Thursday said AIIB's operational capabilities and governance frameworks are evolving in a manner consistent with the highest-rated multilateral development banks. AIIB also carries AAA ratings from both S&P and Fitch, having obtained ratings from all three major agencies in 2017.

Also in 2017, the China-led multilateral development bank's treasurer told IFR that it would issue a benchmark US dollar bond as early as that year.

"AIIB has been in the pipeline for as long as I can remember," a syndicate banker said.

"They said long ago they would do a US dollar deal and now things seem to be warming up. They are actively talking to bankers. I haven't seen a formal request for proposals as yet, although I think we are not that far away from seeing one."

A second DCM banker also thought a deal was getting close.

"They had a long process with the documents, but now it should start getting serious again. It is a funny period coming up with Easter and holidays, but a special deal like that, if we don't see them in the next six weeks to two months I would be surprised," he said.

Although having no outstanding borrowings, Moody's said it expects the supranational to gain "strong access" to capital markets as funding needs arise.

"Its adherence to its conservative liquidity policy, requiring a deep and large pool of liquid assets relative to projected net cashflow requirements over the upcoming three-year period, is consistent with Moody's assessment of very high liquidity," analysts wrote.

AIIB filed a registration statement with the SEC in November 2018 for a US\$1bn bond and has since amended it three times – most recently on March 11.

In response to a request for comment, the supranational said: "We are currently setting up our internal process and systems and intend to establish our presence in international capital markets in due course. At this time, we are not in a position to discuss details about any particular offering." **PRISCILLA AZEVEDO ROCHA**

Nian Investment is the issuer and the Shenzhen-listed parent company is the guarantor.

The Reg S issue has expected ratings of Ba2/BB+ (Moody's/Fitch).

Meinian Onehealth Healthcare, which is headquartered in Shanghai, conducted a roadshow in November and organised investor calls last month before it formally marketed the issue yesterday.

Citigroup was sole global coordinator as well as joint lead manager and joint bookrunner with JP Morgan, CEB International, CCB International, CMBC Capital and China Everbright Bank Hong Kong branch.

### MIE HOLDINGS EXTENDS DEADLINE

MIE HOLDINGS has extended the deadline for the exchange offer for its US\$315.916m 7.5% bonds due April 25.

The Chinese oil and gas explorer and producer has set a new deadline of March 29 for both the early bird offer and the offer expiration date. The previous deadlines were March 15 and March 22, respectively.

That means all bondholders who submit will be given the terms originally offered to those who submitted by the early bird deadline. For each US\$1,000 of bonds tendered, bondholders will receive US\$100 in cash and US\$900 in principal amount of new US dollar 13.75% senior notes due 2022, plus accrued interest.

Under the previous terms, bondholders who submitted after the early bird deadline but before the offer expired would have received US\$20 in cash and US\$980 in new notes, plus accrued interest.

MIE said it would proceed with the exchange only if bondholders tendered 90% of the outstanding notes and there was no material adverse change in the market by the time of the deadline.

The company warned that if an insufficient number of bondholders participated in the exchange offer, it would pursue alternative arrangements that could include a debt restructuring, which could result in bondholders receiving less than they would under the exchange offer.

DF King is information and exchange agent.

Following the announcement of the exchange offer, S&P cut the Chinese oil and gas explorer and producer's issuer rating to CC from CCC-, and its bonds to C from CC, while Fitch downgraded the issuer to C from CC, and affirmed the bonds at C.

S&P and Fitch both said they considered the offer to be a distressed debt exchange, and necessary for the company to avoid defaulting on the bonds.

### MIXED RESULT FOR CFLD EXERCISE

CHINA FORTUNE LAND DEVELOPMENT has won approval to amend certain terms on most of its dollar bonds, but holders of its perpetual securities held out.

The aim of the consent solicitation was to amend certain terms on the issuer's dollar bonds to bring them in line with those on its 8.625% bonds due 2021 issued in February this year.

The issuer wanted to amend the definition of change of control, removing a trigger based on the controlling shareholder ceasing to own a minimum percentage of voting rights, and adding a necessary trigger based on rating downgrades.

The offer applied to the Chinese property company's US\$920m 6.5% bonds due 2020, US\$350m 6.65% subordinated perpetual securities, US\$200m 9.0% bonds due June 2021, US\$940m 9.0% bonds due July 2021, and US\$60m 9.0% bonds due December 2021.

It will pay US\$2 per US\$1,000 to holders of each series of the bonds who gave consent to the changes.

The issuer needed holders of a majority of the bonds to vote, with a two-thirds vote in favour required.

The holders of its perpetual securities were the only group of bondholders not to approve the measures.

CFLD (Cayman) Investment issued the bonds with a guarantee from China Fortune Land Development.

JP Morgan and HSBC were solicitation agents.

### XINJIANG TCIH HIRES BANKS

XINJIANG TRANSPORTATION CONSTRUCTION INVESTMENT HOLDING has hired banks for a proposed offering of US dollar senior unsecured bonds and started to meet investors in Singapore and Hong Kong last Friday.

Orient Securities (Hong Kong), Mizuho Securities and Central Wealth Securities Investment are joint global coordinators, together with Silk Road International and Canfield Securities as joint bookrunners and joint lead managers on the Reg S unrated issue.

Xinjiang Transportation Construction has businesses in property and mineral resources project development.

### YANGO GROUP SELLS TWO-YEAR

Chinese property developer YANGO GROUP, rated B2/B/B, has priced US\$250m senior unsecured bonds after drawing over US\$2bn of final orders from 88 accounts.

The 9.50% two-year bonds were priced at 98.674 to yield 10.25%, well inside initial guidance of 10.75% area.

Asia took 95% of the notes and Europe 5%. By investor type, 93% went to fund managers, 6% to banks and financial institutions, and 1% to private banks.

Yango Justice International is the issuer and the Shenzhen-listed parent company is the guarantor.

The Reg S issue has an expected B- rating from Fitch.

Proceeds will be used for debt refinancing.

Guotai Junan International, CMB International, CNCB HK Capital, Morgan Stanley and Bank of China were joint global coordinators as well as joint lead managers and joint bookrunners with BoCom International, Orient Securities (Hong Kong) and Haitong International.

### ZHENRO PROPERTIES PRINTS

ZHENRO PROPERTIES GROUP, rated B2/B/B, last Wednesday priced US\$420m 3.8-year non-call two 8.65% senior notes at 99.917 to yield 8.65%.

This was at the tight end of final guidance of 8.65%–8.70%, and inside initial guidance of 9.125% area.

Orders were over US\$2bn from 92 accounts. Asia took 94% of the Reg S notes, Europe 4% and offshore US accounts 2%.

By investor type, fund managers and financial institutions took a combined 95%, while private banks took 5%.

The notes have expected ratings of B3/B- (Moody's/S&P).

Proceeds will be used for debt refinancing.

Deutsche Bank, Standard Chartered Bank, BNP Paribas, CCB International, CEB International, CLSA, CMB International, Guotai Junan International, Haitong International and HSBC were joint global coordinators, joint lead managers and joint bookrunners.

### CITIC BANK PLANS PERP ISSUE

CHINA CITIC BANK CORP said its board had approved a plan to issue up to Rmb40bn of perpetual capital bonds onshore and offshore to boost capital.

The Hong Kong and Shanghai-listed Chinese lender earlier reported a 4.6% increase in net profit for last year.

At the end of 2018, its core Tier 1 capital adequacy ratio stood at 8.62% and its Tier 1 capital adequacy ratio was 9.43%, a slight improvement from 8.49% and 9.34% at end-2017, respectively.

### LOCAL GOVTS SEE STRONG DEMAND

Chinese local government bonds drew strong demand after financial regulators for the first time allowed commercial

banks to sell bonds from six provincial and municipal governments to individual investors.

Bonds from four regions - Zhejiang province, Ningbo city, Sichuan province and Shandong province - that opened to retail investors last week sold quickly as investors showed their confidence in government credits.

For instance, Zhejiang's five-year Rmb2.2bn bond priced at 3.04% drew strong demand as it opened to individuals on Monday. The Rmb1.1bn quota allocated to retail investors sold out in just a few hours early in the morning, according to Zhejiang provincial financial bureau.

The Ministry of Finance has chosen Zhejiang, Ningbo city, Sichuan, Shaanxi, Shandong and Beijing as the first batch of pilot regions to sell government bonds to individuals through bank counters and internet banking. The move is part of efforts to broaden sales channels and support local governments' infrastructure construction. All of the pilot regions have Triple A local ratings.

The six pilot regions located in the eastern and central parts of China also have a stronger financial performance than less-developed areas.

Local government bonds issued by Shandong opened to investors last Thursday, and those from Beijing on Monday.

Individuals can purchase local government bonds at local bank counters or via internet banking from Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications, Industrial Bank, Shanghai Pudong Development Bank and Bank of Ningbo.

## SYNDICATED LOANS

### CTRIP.COM TAKES OFF FOR €600M LOAN

Nasdaq-listed **CTRIP.COM INTERNATIONAL**, China's biggest online travel agency, is seeking a €600m-equivalent (US\$675m) three-year term loan.

Bank of Communications Hong Kong branch, Bank of East Asia, China Construction Bank, HSBC and Korea Development Bank are the mandated lead arrangers and bookrunners of the bullet financing, which is available in euros and US dollars.

The deal pays an interest margin of 135bp over Euribor/Libor.

Lead arrangers with commitments of €50m-equivalent and above receive a top-level all-in pricing of 141.67bp via an

# CMOC seeks US\$600m club

## Loans Borrowing follows US\$220m loan for Australian unit

Hong Kong and Shanghai-listed China Molybdenum is seeking a new US\$600m three-year club facility.

Hong Kong-incorporated **CMOC LTD**, a unit of China Molybdenum, is the borrower, while the listed parent company is the guarantor.

Citigroup is the coordinator of the equal bullet term loan and revolving credit facility, which is for working capital.

Responses are due by end-April.

The borrowing follows a US\$220m three-year term loan China Molybdenum is guaranteeing for its Australia-incorporated subsidiary CMOC Mining. This facility was launched in late November with a January 11 deadline offering a top-level all-in of 190bp based on an interest margin of 180bp over Libor. ANZ, Bank of China, Citigroup and Westpac Banking Corp are the mandated lead arrangers and bookrunners.

CMOC Mining holds 80% of the Northparkes copper and gold mine in New South Wales, Australia.

Separately, in January, Hong Kong-incorporated CMOC agreed to buy 30% of TF Holdings from BHR Newwood Investment Management, another subsidiary of China

Molybdenum, for about US\$1.136bn as part of a share transfer exercise. TF Holdings owns 80% of the Tenke Fungurume copper-cobalt mine in the Democratic Republic of Congo. After the acquisition is completed, CMOC Ltd will become the sole shareholder of TF Holdings.

CMOC has also invested in NCCL Natural Resources Investment Fund along with AXAM Asset Management. The fund bought IXM, formerly the metals business of Louis Dreyfus, in May 2018.

China Molybdenum and NCCL signed a letter of intent in October 2018 for the acquisition of 100% of IXM from NCCL's unit New Silk Road Commodities. As of March 22, China Molybdenum had received an Enterprise Overseas Investment Certificate from the Henan provincial government and approval from US anti-monopoly authorities and had completed a filing with China's National Development and Reform Commission for the acquisition, according to stock exchange filings.

China Molybdenum produces molybdenum, tungsten, cobalt, niobium, copper ore and phosphates.

APPLE LAM

upfront fee of 20bp, while arrangers taking €30m-€49m-equivalent earn an all-in pricing of 139bp via a 12bp fee. Senior managers with tickets of €20m-€29m-equivalent have been offered an all-in pricing of 136.67bp via a 5bp fee.

Funds are for general corporate purposes.

A bank presentation will be held in Shanghai on April 2. Commitments are due in late April.

Ctrip.com's previous visit to the loan market was in June 2017 for a €980m five-year financing. Bank of China was the MLAB and brought in six Chinese banks into that deal, which offered a margin of 150bp over Euribor, according to LPC data.

### BAOXIN AUTO DRIVES IN FOR LOAN

Shanghai-listed auto dealership China Grand Automotive Services has launched a US\$420m dual-tranche loan for refinancing purposes.

China Grand Automotive's indirect unit **BAOXIN AUTO FINANCE I** is the borrower, while the parent company is the guarantor.

Standard Chartered is the mandated lead arranger and bookrunner of the financing,

which has a US\$140m one-year tranche A and a US\$280m two-year tranche B, which has an average life of 1.9 years. The deal pays an interest margin of 265bp and 290bp over Libor for tranches A and B, respectively.

Banks are being invited to join tranches A and B on a 1:2 basis. MLAs with commitments of US\$30m and above receive top-level all-in pricing of 315bp and 340bp for tranches A and B via upfront fees of 50bp and 95bp, respectively, while lead arrangers taking US\$20m-\$29m earn all-in pricing of 310bp and 335bp via fees of 45bp and 85.5bp. Arrangers with tickets of US\$10m-\$19m have been offered all-in pricing of 305bp and 330bp via fees of 40bp and 76bp.

A roadshow was held in Hong Kong last Tuesday. Commitments are due on May 17.

In November 2018, Baoxin Auto Finance I obtained a US\$358m three-year term loan, also guaranteed by China Grand Automotive. MLAB StanChart brought in 11 banks, including three as MLABs. The margin is 308bp over Libor and the deal offered a top-level all-in pricing of 349bp for an average life of 2.925 years.

Grand Baoxin Auto Group, another unit of China Grand Automotive, raised a US\$763.4m three-year offshore tranche as part of an onshore/offshore loan in May 2017 after global coordinator and OMLAB StanChart brought in 22 lenders. The offshore tranche paid a top-level all-in pricing of 365bp based on a margin of 320bp over Libor and an average life of 2.925 years.

#### WUXI BIOLOGICS LAUNCHES LOAN

Hong Kong-listed biopharmaceutical company Wuxi Biologics (Cayman) has launched a US\$200m three-year term loan.

The company is the guarantor, while its wholly owned unit **WUXI BIOLOGICS (HONG KONG)** is the borrower.

Mandated lead arrangers and bookrunners *Bank of Communications OBU* and *Standard Chartered (Hong Kong)* have fully underwritten the financing, which pays an interest margin of 120bp over Libor and has an average life of 2.8 years.

Banks have been invited to join as MLAs with US\$30m or more for a top-level all-in pricing of 155bp based on an upfront fee of 98bp and lead arrangers with US\$20m–\$29m for an all-in pricing of 145bp through a fee of 70bp.

A bank presentation and site visit will take place in Shanghai in the first week of April. Commitments are due by April 26.

Funds are for general corporate purposes, including overseas acquisitions and working capital.

Wuxi Biologics has laboratories in Shanghai and Suzhou as well as a factory in Wuxi.

Listed on the Hong Kong stock exchange in June 2017, the guarantor was spun off from Wuxi Pharma Tech (Cayman) after the latter was delisted from the NYSE in late 2015.

Wuxi Pharma Tech completed a US\$165m three-year loan in February 2015. OMLAB Citigroup brought in eight banks, including four as MLAs. The top-level all-in pricing was 277.5bp based on a margin of 237.5bp over Libor and an average life of 2.5 years.

#### TEN BANKS JOIN CAINIAO REFI SO FAR

Ten banks have joined the US\$550m bullet loan for **PROFIT REACH INTERNATIONAL** so far.

The borrower is an investment vehicle of Chinese tycoon Guojun Shen. Funds are to refinance a borrowing signed in 2016 to back Shen's investment in logistics start-up Cainiao Smart Logistics Network.

Substitution signing for the joining banks took place on March 19 and funds were transferred on March 22.

Syndication is ongoing and a second

group of incoming lenders are expected to be substituted into the deal in April.

Original mandated lead arrangers and bookrunners *Goldman Sachs* and *Nanyang Commercial Bank* pre-funded the deal on December 21 2018. They are expected to further sell down their holds.

The deal has a three-year tenor from first drawdown and a two-year extension option.

The all-ins are based on a five-year tenor. The top-level all-in pricing is 235bp based on an interest margin of 215bp over Libor.

The loan carries a personal guarantee from Shen, who owns 98% of Profit Reach, and a put option from China Cinda (HK) Holdings, a wholly owned unit of state-owned China Cinda Asset Management.

Financial covenants require China Cinda HK's consolidated net worth to be a minimum of US\$1 and equity attributable to China Cinda HK's shareholders to be a minimum of HK\$4bn (US\$510m).

Security is provided by all assets of the borrower and all shares in Profit Reach. This collateral can only be enforced if the put option provider defaults on the loan.

It is an event of default if China Cinda HK fails to maintain a minimum rating of BBB– (S&P) or if S&P withdraws its credit rating. The put option provider is rated A–.

Cainiao provides logistics services in China for e-commerce companies. Chinese e-commerce giant Alibaba Group Holding founded Cainiao in May 2013 in partnership with a consortium of logistics companies. Other shareholders in Cainiao include Fosun International and China Yintai Holding, a company founded by Shen. Yintai is the parent company of Chinese department-store operator Intime Retail (Group).

For full allocations, see [www.ifrasia.com](http://www.ifrasia.com).

#### THREE IN FOR FAR EAST HORIZON REFI

Financial services company **FAR EAST HORIZON**'s US\$580m-equivalent three-year term loan has attracted total commitments of more than US\$200m-equivalent from three banks so far.

Several more banks are processing the deal and syndication is expected to close this week.

*China Everbright Bank Hong Kong branch*, *CMB Wing Lung Bank*, *CTBC Bank*, *Hang Seng Bank*, *MUFG* and *Westpac Banking Corp* are the MLAs of the deal, which pays a top-level all-in pricing of 160.18bp based on an interest margin of 140bp over Libor or Hibor and an average life of 2.775 years.

Funds are for refinancing and working capital.

Sinochem Group owns about 23% of the Hong Kong-listed borrower, which is rated BBB–/BBB– (S&P/Fitch).

#### ICBC LONDON CLOSING US\$1.25BN FACILITY

**ICBC (LONDON)** and **ICBC LONDON BRANCH** have signed a US\$1.25bn-equivalent dual currency term loan.

The multi-tranche financing, which comprises US\$960m and £224m (US\$294m) with maturities of two and three years, refinances loans signed by the Industrial and Commercial Bank of China subsidiaries in 2017.

The loan was launched to a targeted group of ICBC's relationship banks and closed significantly oversubscribed with 14 lenders joining the deal and commitments being scaled back.

*Bank of America Merrill Lynch*, *BNP Paribas*, *Mizuho Bank* and *SMBC* were bookrunners and mandated lead arrangers on the financing.

BAML is coordinator and documentation agent, while *Bank of New York Mellon* is facility agent.

"These facilities represent our tenth foray to the syndicated loan market, and we are delighted to have received such strong support from our key partners for these important financings for ICBC (London) plc and ICBC London Branch, achieving strong oversubscription and scale-back," Ruixiang Han, chief executive officer of ICBC (London) and general manager of ICBC London Branch said.

ICBC (London) tapped the loan market in June 2018 for a US\$436m-equivalent multi-tranche credit facility. That self-arranged loan comprised US\$259.5m and £133m with maturities of two and three years.

ANZ Banking Group, BNP Paribas, Commerzbank and Mizuho Bank were bookrunners and mandated lead arrangers on that deal.

#### LENDERS FLOCK TO SINO BIOPHARM

Hong Kong-listed **SINO BIOPHARMACEUTICAL**'s three-year term loan has been increased to US\$1bn from US\$700m after it attracted 32 lenders in syndication.

Signing is expected to take place soon.

*Bank of China (Hong Kong)*, *Bank of Communications Hong Kong branch*, *Hang Seng Bank* and *HSBC* are the mandated lead arrangers and bookrunners the deal, which offers a top-level all-in pricing of 185bp based on an interest margin of 135bp over Libor and an average life of 2.7 years.

Funds are to refinance a US\$300m loan signed in September 2016 and for general corporate purposes.

The borrower is a pharmaceutical company with 10 research and development bases, as well as a controlling interest in a hospital in China.

For full allocations, see [www.ifrasia.com](http://www.ifrasia.com).

## » FOSUN INTERNATIONAL INCREASES LOAN

Conglomerate **FOSUN INTERNATIONAL** has increased its dual-tranche term loan to about US\$413m-equivalent from the US\$300m-equivalent target.

*Bank of China Macau, Hang Seng Bank and HSBC* were the original mandated lead arrangers and bookrunners of the three-year financing, while *Industrial Bank, China Citic Bank International* joined with the same title. The other lenders include *Banco do Brasil, Credit Industriel et Commercial and Raiffeisen Bank International*.

The lenders signed the facility document last Tuesday. A few more banks are processing internal approvals and will join the financing via the signing of an accession deed. The final deadline for commitments is April 12.

The deal comprises a US\$350m tranche A and a €56m tranche B. The interest margins are 200bp over Libor for the US dollar tranche and 170bp over Euribor for the euro portion.

Lenders are offered a top-level all-in pricing of 250bp and 220bp for tranches A and B, respectively.

Funds are for working capital purposes.

The Hong Kong-listed company signed a three-year loan at US\$743m-equivalent in May 2018, according to LPC data. The six MLABs brought in nine other banks. Lenders were offered top-level all-in pricing of 236.67bp (for US dollars) and 206.67bp (for euros) based on margins of 200bp over Libor and 170bp over Euribor, respectively.

In mid-2017, Fosun International also raised a US\$804m-equivalent three-year term loan. The top-level all-in pricing was 240bp based on a margin of 200bp over Libor or Euribor.

Fosun International is rated Ba2/BB (Moody's/S&P). Its investment holding units Fosun Industrial Co Ltd and Shanghai Fosun Pharmaceutical Group are regular visitors to the loan market.

## » FIVE JOIN YOUYUAN'S US\$120M REFI

Hong Kong-listed paper manufacturer **YOUYUAN INTERNATIONAL HOLDINGS**' US\$120m-equivalent 3.5-year term loan has attracted commitments totalling about US\$90m from five banks so far.

Sole mandated lead arranger and bookrunner *HSBC* launched syndication last November and is expected to close the deal soon.

The facility pays a top-level early bird all-in of 395bp based on an interest margin of 320bp over Libor or Hibor and an average life of 2.975 years.

Funds are to refinance a US\$165m 3.5-year amortising loan signed in May 2016 and provide working capital.

The 2016 loan pays a lower interest margin of 275bp over Libor and offered a top-level all-in pricing of 305bp for the same average life of 2.975 years. *China Citic Bank International, Hang Seng Bank and HSBC* were the MLABs.

## » REDCO SIGNS FOUR-BANK CLUB

Hong Kong-listed **REDCO PROPERTIES GROUP** signed a US\$175m three-year term loan on March 27, according to a stock exchange filing on the same day.

*Bank of China (Hong Kong) and Hang Seng Bank* provided US\$60m each, while *Bank of East Asia* lent US\$35m and *China Minsheng Banking Corp Hong Kong branch* provided US\$20m. All lenders were given the mandated lead arranger title.

The interest margin of the club loan is 510bp over Libor. Some units of the borrower are providing guarantees.

Ownership covenants require *Wong Yeuk Hung and Huang Ruqing* to own at least 51% of Redco and maintain management control over it, and *Huang* to remain the president and an executive director of the borrower's board of directors. *Wong* and *Huang* own about 66% of Redco.

The company has a US\$145m three-year loan signed in September 2016 that is maturing this year, according to LPC data. *BOCHK, BEA, Hang Seng and Nanyang Commercial Bank* provided US\$130m in 2016. *CMB Wing Lung Bank* was acceded into the deal in January 2017, increasing the amount to US\$145m.

In July 2017, Redco raised a US\$202m amortising three-year club loan from nine banks.

Compared with the latest loan, both the 2017 and 2016 deals pay a lower margin of 400bp over Libor, according to Redco's 2018 interim report. The interim report also states that the 2017 deal could be increased to up to US\$220m through accession of lenders and that US\$207m was outstanding as of June 30 2018.

The borrower develops residential and commercial properties in China.

## » XIAMEN XIANGYU RAISES RMB2.07BN

Chinese logistics company *Xiamen Xiangyu Group* has raised a Rmb2.07bn (US\$308m) 12-year senior loan.

Mandated lead arranger and bookrunner *Bank of China* took Rmb1.2bn, while *Industrial & Commercial Bank of China, China Industrial Bank and Agricultural Bank of China* took Rmb500m, Rmb200m and Rmb170m, respectively.

The interest margin is 103% of the PBoC rate.

The borrower is **SUIHUA XIANGYU JINGU**

**BIOCHEMICAL TECHNOLOGY**, a unit of *Xiamen Xiangyu*.

Funds are for capital expenditure purposes.

## » ZURI CLOSSES CLUB

**ZHUJI URBAN & RURAL INVESTMENT GROUP** has raised a Rmb1.8bn three-year club loan.

Mandated lead arranger and bookrunner *Bank of China* took Rmb800m, while *Hangzhou Bank* took the remainder.

The bullet loan offers an interest margin of 98% of the PBoC rate.

Funds are for capital expenditure purposes.

Based in Zhejiang province, the borrower offers services such as urban and rural infrastructure construction and road construction.

## » LIANFA REAL ESTATE RAISES CLUB

Property developer **LIUZHOU LIANFA REAL ESTATE** has raised a Rmb1.25bn three-year club loan.

Mandated lead arranger and bookrunner *Bank of China* took Rmb750m, while *China Construction Bank* took the remainder.

The bullet loan, which is for capex purposes, offers an interest margin of 80% of the PBoC rate.

The borrower is based in Liuzhou, a prefecture-level city in China's Guangxi Zhuang Autonomous Region.

# EQUITY CAPITAL MARKETS

## » SHENWAN TO PRE-MARKET FLOAT

Chinese brokerage **SHENWAN HONGYUAN GROUP** will start pre-marketing a Hong Kong IPO of about US\$1.5bn this week, according to people close to the deal.

The Shenzhen-listed company won listing approval last week, said the people.

The China Securities Regulatory Commission earlier approved the brokerage to launch an IPO of up to 6.48bn shares in Hong Kong.

Shenwan Hongyuan plans to sell up to 20% of its enlarged share capital in Hong Kong. There is also a 15% greenshoe.

The proceeds will be used to replenish working capital and fund business development.

*ABC International, Goldman Sachs, ICBC International and Shenwan Hongyuan HK* are the joint sponsors.

## » DONGZHENG AUTO FI COMPLETES IPO

**SHANGHAI DONGZHENG AUTOMOTIVE FINANCE** has raised HK\$1.6bn (US\$208m) from a Hong Kong IPO.

The company sold 533m shares, or 25% of the enlarged share capital, at a fixed price of HK\$3.06 each, according to people close to the deal.

The price represents a 2019 forecast P/E of about 5.8.

The company originally planned to raise HK\$2.24bn–\$3.36bn from the float, but the deal was restructured because of weak demand.

It intended to sell the same number of shares at HK\$4.20–\$6.30 each or a 2019 forecast P/E of 8–12.

The company is a subsidiary of Hong Kong-listed car dealership China ZhengTong Auto Services Holdings.

The shares are due to be listed on April 3.

Dongzheng plans to use most of the proceeds to fund retail loans for its customers. It also plans to develop a network of external dealers and upgrade its technological and operational management capabilities. The remainder will be used for general working capital.

CICC and Credit Suisse are the joint sponsors.

#### AKESO BIOPHARMA MULLS HK IPO

Chinese biotech company **AKESO BIOPHARMA** is considering a Hong Kong listing as early as this year which could raise about US\$200m, according to people close to the deal.

The company, which focuses on innovative antibody drug research and development, is in discussion with potential advisers for the float, said the people.

It has not made a final decision on the listing, said a person close to the company.

Founded in 2012 and headquartered in Guangdong, Akeso Bio brought in global healthcare-focused investment group Ally Bridge as shareholder through a private financing round in 2018. Ally Bridge also led a US\$300m financing in US-based cancer-detection start-up Grail last year.

Akeso Bio focuses on discovering and developing innovative biologics with international intellectual rights for the treatment of a broad spectrum of diseases. It has built a product pipeline targeting oncology, autoimmune, inflammatory and cardiovascular diseases.

The company declined to comment.

#### BOOKS COVERED FOR RUHNN IPO

The books have been covered for the up-to-US\$135m Nasdaq IPO of **HANGZHOU RUHNN HOLDING**, a promoter of internet celebrities in China.

The company is selling 10m primary American depositary shares in an indicative range of US\$11.50–\$13.50 each, which

translates to a forecast 2021 P/E of 11.1–13.1.

Proceeds will be used to pursue strategic investments, invest in technology, AI and big data analytics, as well as identifying potential internet celebrities. The remainder will be used for general corporate purposes.

The deal will price on April 2.

Founded in 2011, Ruhnn spots potential internet celebrities – commonly known as ‘wang hong’ in Chinese – and helps to promote them. The celebrities then sell fashion products through e-commerce sites such as Taobao.

As of last year, the company had signed 133 internet celebrities with an aggregate of 148.4 million fans to promote 501 brands and 28 third-party online stores.

Chinese e-commerce giant Alibaba Group invested Rmb300m in Ruhnn in 2016, valuing the company at Rmb3.1bn (US\$445m). SAIF Partners and Legend Capital have also invested in the company, according to Ruhnn’s website.

Citigroup and UBS are the underwriters of the float.

#### CHINA EAST EDUCATION READIES IPO

**CHINA EAST EDUCATION HOLDINGS** is planning to bring a Hong Kong IPO to market in April, according to people with knowledge of the matter.

The company is aiming to seek a listing hearing in April for a float of about US\$400m.

Headquartered in Hefei in Anhui province, the vocational training company operates 139 schools specialising in culinary arts, information technology and auto services. For the eight months ended August 31 2018, it had 121,558 enrolled students.

Cousins Wu Junbao, Wu Wei and Xiao Guoqing respectively hold 42.7%, 29.2% and 18.1% of the company, which was founded in 2004.

It posted a profit of Rmb289.6m for the eight months ended August 31, down from Rmb398.2m in the same period a year earlier.

BNP Paribas is the sole sponsor.

#### CHINA MASTER LOGISTICS SETS PRICE

**CHINA MASTER LOGISTICS** has set the price for a Rmb1bn Shanghai IPO at Rmb15.32 per share.

The company will open books for a day on April 17 instead of March 27 as previously planned. The delay, as required by Chinese regulations, is to account for the fact that the company’s 2018 P/E ratio is 22.2, higher than the industry average of 13.1 in the past month.

The maritime logistics company plans to offer 66.7m A-shares, or up to 25% of its enlarged capital.

Located in the coastal city of Qingdao, China Master Logistics provides cross-border integrated logistics services for container and dry bulk shipping.

It will use the proceeds to purchase coastal transportation and dual-use ships, bulk carriers, and large-sized transportation equipment, and for construction of a cross-border e-commerce logistics distribution centre.

Citic Securities is the sponsor and bookrunner.

#### CHINA VANKE BUILDS WAR CHEST

Chinese property developer **CHINA VANKE** has raised HK\$7.8bn (US\$994m) from a private H-share placement.

The company sold 263m H-shares, or 2.33% of the enlarged share capital, at HK\$29.68 each, according to a company announcement.

The placement price represents a discount of 5% to the pre-deal close.

There were about 10 investors in the books, according to people close to the deal.

China’s second-largest property developer by sales will use the proceeds to repay outstanding overseas debt financing and not for the development of residential properties.

CLSA was global coordinator while CICC and UBS were co-global coordinators. The three banks were also placing agents with CMB International.

#### DUO SEEK HK LISTING APPROVAL

Chinese brokerage **SHENWAN HONGYUAN GROUP** and trailer maker **CIMC VEHICLES** sought listing approval from the Stock Exchange of Hong Kong last week, according to people close to the deals.

Both companies plan to start pre-marketing the deals this week if approval is granted.

Shenzhen-listed Shenwan Hongyuan plans to raise about US\$1.5bn from the offering.

The company said in March it had been approved by the China Securities Regulatory Commission to launch an IPO of up to 6.48bn shares in Hong Kong.

Shenwan Hongyuan plans to sell up to 20% of its enlarged share capital in Hong Kong. There is also a 15% greenshoe.

The proceeds will be used to replenish working capital and fund business development.

ABC International, Goldman Sachs, ICBC International and Shenwan Hongyuan HK are the joint sponsors.

CIMC Vehicles, a subsidiary of Shenzhen-listed China International Marine Containers, is looking to raise about US\$300m–\$500m from its float.

The company plans to sell 15.0%–18.2% of its enlarged share capital in the offering, excluding an overallotment option of 15% of the deal, according to an earlier filing from its parent. The CIMC Group controls 63.3% of the company.

For the six months ended June 30 2018, CIMC Vehicles posted a profit of Rmb653m, an increase from Rmb567m in 2017.

CIMC Vehicles has 22 factories and 14,784 employees, mostly in China.

*Haitong International* is the sole sponsor.

#### FRONTAGE SETS ITS SIGHTS ON APRIL

FRONTAGE HOLDINGS is looking to pre-market a Hong Kong IPO of about US\$100m–\$200m around mid-April, according to people with knowledge of the matter.

The Chinese contract drug research company, owned by Shenzhen-listed Hangzhou Tigermed Consulting, served 466 pharmaceutical clients including Janssen and BeiGene as of last year.

Frontage posted a profit of US\$11.2m on revenue of US\$83m in 2018, compared with US\$10.2m in 2017.

*Bank of America Merrill Lynch* and *Goldman Sachs* are the joint sponsors.

#### GOLDWIND SELLS A-SHARE RIGHTS

XINJIANG GOLDWIND SCIENCE & TECHNOLOGY has sold 545m shares at Rmb7.02 each to raise Rmb3.8bn from the A-share portion of its rights offering, it said in an announcement.

The company sold 98.8% of the 552m shares it had originally planned to sell.

The A-share portion is not underwritten, in line with Chinese regulations.

Three shareholders – Xinjiang Wind Power, China Three Gorges New Energy and Hexie Health Insurance – fulfilled their commitments and subscribed to a combined 255m A-shares, or 46% of the A-share offering.

*Haitong Securities* is the sponsor of the A-share portion.

The Hong Kong and Shenzhen-listed Chinese wind-turbine maker also plans to issue 124m H-shares on a 1.9-for-10 basis at HK\$8.21 each to raise HK\$1bn.

The result of the H-share rights issue will be announced on April 30. *Haitong International Securities* is the underwriter for the H-share portion.

Proceeds will be used to fund two wind farm projects, replenish working capital and repay debt.

#### MONTAGE ACES TECH BOARD TUTORIAL

Chipmaker MONTAGE TECHNOLOGY SHANGHAI has completed an IPO tutorial for a proposed listing on Shanghai's new tech board, pre-listing tutor *Citic Securities* said in an announcement.

Montage's Shanghai location and its focus on cloud computing and artificial intelligence make it a prime candidate for the Shanghai Stock Exchange's new venture.

The company posted a net profit of Rmb737m for 2018.

The chip manufacturer sells products used in data centres and has branches in China, Macau, Korea and the US.

The company raised US\$71m from a Nasdaq IPO in October 2013, but delisted in November 2014 when a Chinese consortium acquired the company for US\$693m.

*Citic Securities* was one of the investors in a private financing round in May 2018. It owns a 5.65% stake in the company.

#### TWO MORE FOR SHANGHAI TECH BOARD

SHANGHAI MICROPORT ENDOVASCULAR MEDTECH and ADVANCED MICRO-FABRICATION EQUIPMENT are planning to apply for a listing on the Shanghai tech board rather than other Chinese bourses as originally intended.

MicroPort Endovascular completed an IPO tutorial in early March and now plans to list on the new tech board, according to its pre-IPO tutor *Guotai Junan* and *Huajing Securities*. It did not say which market the issuer had targeted previously.

The company manufactures and sells medical devices for the treatment of heart, brain, peripheral vascular and endovascular-related diseases.

Hong Kong-listed MicroPort Scientific Corporation indirectly holds a 61.8% stake in MicroPort Endovascular.

Meanwhile, pre-IPO tutors *Haitong Securities* and *Changjiang Financing Service* have filed to the China Securities Regulatory

Commission Shanghai bureau for ADVANCED MICRO-FABRICATION EQUIPMENT, a semiconductor equipment manufacturer, to change the proposed listing venue to the new tech board. They did not specify the previous venue. The IPO tutorial began in January.

#### THREE IPoS GET CSRC FINAL APPROVAL

The China Securities Regulatory Commission has given final IPO approval to three companies to raise a combined Rmb1.66bn.

BEKEN CORPORATION plans to sell 34.7m A-shares, or 25% of its enlarged capital, to raise Rmb671m in Shanghai.

The company specialises in the development and sales of integrated circuit chips for wireless communication.

The proceeds will be used to update projects covering standard protocol wireless interconnection product technology and national standard ETC product technology, for the R&D of satellite positioning products and smart home products, as well as the construction of a research and development centre.

*Citic Securities* is the sponsor.

SICHUAN TEWAY FOOD GROUP, a hot pot seasoning maker, plans to raise Rmb530m from its Shanghai IPO. The company will sell 41.3m A-shares, or 10% of its enlarged capital. *Dongxing Securities* is the sponsor.

HANGZHOU DPTech TECHNOLOGIES, meanwhile, plans to raise Rmb463m from a proposed Shenzhen ChiNext IPO. *China Securities* is the sponsor.

CSRC also cleared four of five applicants at a hearing last week for A-share IPOs to raise a combined Rmb3.2bn.

LAKALA PAYMENT, backed by Hong Kong-listed Lenovo Group, had the largest fundraising target of the five companies. The Chinese third-party payment company aims to raise Rmb2bn from a proposed Shenzhen ChiNext IPO by issuing 40.01m A-shares, or 10% of its enlarged capital.

Proceeds will be used to upgrade online payment channels and offline POS machines.

According to its pre-prospectus, Lakala's revenue reached Rmb5.7bn and its net profit Rmb606m in 2018. Revenues were Rmb2.8bn and Rmb2.6bn in 2017 and 2016, respectively, with net profits of Rmb464m and Rmb326m.

*China Securities* is the sponsor.

The other three companies cleared at the hearing are SINO FIBERS TECHNOLOGY

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(Rmb234m), **ZHEJIANG WINDEY** (Rmb590m), and **GUANGDONG RIFENG ELECTRIC CABLE** (Rmb371m). Their sponsors are *Everbright Securities*, *Caitong Securities* and *Dongguan Securities*, respectively.

**HANGZHOU TIANYUAN PET PRODUCTS**'s plan to raise Rmb301m by issuing 21.6m A-shares was rejected by the CSRC. *Haitong Securities* was the sponsor.

#### » VIVA CHINA TRIMS LI NING STAKE

Viva China Holdings has raised HK\$1.7bn through the sale of part of its stake in Chinese sportswear company **LI NING**.

The deal, comprising 148m shares or 6.8% of the total shares outstanding, was marketed on March 24 in a range of HK\$11.68–\$12.18 per share.

The shares were sold at HK\$11.72 each, or a discount of 7.7% to the pre-deal close.

There is a 180-day lock-up on both the seller's residual shares and the underlying shares if they are converted.

The books were multiple times subscribed, with about 30 investors participating.

Allocation was concentrated with the top 10 investors taking close to 90% of the deal.

Li Ning's shares surged 11.4% on Friday after the company announced forecast-beating 2018 full-year results, taking the year-to-date gain to 51%.

After the sale, GEM-listed Viva China will own a 6.9% stake in Li Ning.

In an announcement, Viva China said it plans to use part of the proceeds for working capital and consider declaring a special dividend. It will also hold its remaining interest in Li Ning as a long-term investment.

*Goldman Sachs* was the bookrunner.

#### » XTEP UPSIZES TOP-UP PLACEMENT

**XTEP INTERNATIONAL** has raised HK\$1.37bn from a partially upsized top-up placement after pricing the deal at HK\$5.56, the lower end of an indicative range.

Around 247m shares were sold in the deal, which comprised a base deal of 211.8m shares and an upsize option of 70.6m that was partially exercised.

The final price was a 15% discount to the pre-deal close of HK\$6.54.

The books were multiple times oversubscribed with more than 50 accounts participating in the transaction, a person close to the deal said. There was a large number of existing and new orders and a high concentration, with the top 10 investors taking up around 80% of the deal. Both local and foreign institutions showed interest.

Parent company Group Success Investments sold its shares in the top-up placement and will subscribe to the primary shares later.

Proceeds will be used to fund the acquisition of international sportswear brands, overseas expansion and for working capital.

There is a 90-day lock-up on the top-up vendor.

*Credit Suisse* and *UBS* are bookrunners.

#### » ZENGAME TO OPEN BOOKS IN APRIL

Chinese mobile games developer **ZENGAME TECHNOLOGY** is set to launch a Hong Kong IPO of about HK\$300m in April, according to people close to the deal.

The company has secured approval from the Stock Exchange of Hong Kong and is targeting a share listing in mid-April, one of the people said.

Zengame, which was established in 2010, has a portfolio of 44 online games, mainly card and board games, and generates revenue from advertisements and sales of virtual items to players. It had an average of 27.9 million monthly active users for the six months ended June 30 2018.

It posted a profit of Rmb50.7m for the six months ended June 30 2018, up from Rmb35m in the corresponding period a year earlier. It had a yearly profit of Rmb66m in 2017.

*Guotai Junan Capital* is the sole sponsor of the deal.

## HONG KONG

### SYNDICATED LOANS

#### » KONEW CAPITAL TAPS US\$150M REFI

Banks are being invited to join a US\$150m-equivalent loan for **KONEW CAPITAL INTERNATIONAL** at two tickets levels.

Banks committing US\$25m or above as mandated lead arrangers earn an upfront fee of 147bp for a top-level all-in pricing of 285bp, while lead arrangers taking US\$10m–\$24m receive 120bp for an all-in of 275bp. Commitments are due by April 19.

The three-year facility offers an interest margin of 230bp over Libor and has an average life of 2.67 years.

*Credit Suisse* is the MLAB of the deal, which has a US\$100m-equivalent term loan (tranche A) and a US\$50m-equivalent revolving credit facility (tranche B). The deal is also available in HK dollars.

Funds are for refinancing loans for K Cash Ltd and Maxcolm Finance Ltd and for general corporate purposes.

The borrower, which provides property-backed loans and equipment financings for small to medium enterprises, operates in Hong Kong, China, Taiwan and Indonesia.

Konew Capital, consumer loans provider K Cash and consumer finance company Maxcolm Finance are part of Hong Kong-based and privately owned financial services provider Konew International Group, which also owns consumer finance company Konew Financial Express.

Maxcolm Finance and Konew Financial Express also provide mortgage loans.

#### » D&J INDUSTRIAL INKS RECAP

D&J Industrial Real Estate Investment has signed a HK\$2.2bn-equivalent (US\$276m) three-year bullet loan to fund a dividend recapitalisation and refinancing.

*Standard Chartered (Hong Kong)* and *Standard Chartered (China)* were the mandated lead arrangers and bookrunners of the transaction, which has a Rmb316m (US\$47m) onshore tranche, an offshore HK\$1.6bn tranche A and an offshore HK\$200m tranche B.

The interest margins are 124% of the PBoC rate on the onshore piece and 235bp over Hibor on the offshore portions. Lenders were offered all-in pricing of 130% of the PBoC rate or 264bp via a participation fee of 87bp for the onshore and offshore pieces, respectively. Signing was on March 20.

D&J Industrial Real Estate Investment owns Shanghai Innov Star, a property with three office buildings in Zhangjiang, Shanghai.

**SHANGHAI VIMICRO HI-TECH** is the borrower on the onshore piece, while **VIMICRO VMF SHANGHAI**, which directly owns Shanghai Vimicro Hi-Tech, is the borrower on the offshore portions.

Both onshore and offshore borrowers are wholly owned units of D&J Industrial Real Estate Investment, which was founded by private equity firm Warburg Pincus in China.

For full allocations, see [www.ifrasia.com](http://www.ifrasia.com).

#### » EVERBRIGHT GREENTECH UPS LOAN

Hong Kong-listed **CHINA EVERBRIGHT GREENTECH** has increased its debut four-year Green loan to HK\$1bn from the HK\$800m target.

*Taipei Fubon Commercial Bank* was the original mandated lead arranger and bookrunner of the deal, while *Cathay United Bank*, *Chang Hwa Commercial Bank* and *Fubon Bank (Hong Kong)* joined with the same title. Lenders were offered a top-level all-in pricing of 165bp over Hibor via an interest margin of 145bp and an 80bp participation fee.

Funds will be used for general corporate purposes. Signing was last Wednesday.

The borrower, which provides environmental protection services in China, received on March 25 the Green Finance Certification from Hong Kong's Quality Assurance Agency.

For full allocations, see [www.ifrasia.com](http://www.ifrasia.com).

## › XINYI GLASS DOUBLES GREEN LOAN

Automobile glass maker Xinyi Glass Holdings has doubled its four-year term loan to HK\$1.2bn from HK\$600m.

HSBC and MUFG have joined Mizuho Bank as mandated lead arrangers and bookrunners, while Agricultural Bank of China Macau branch joined as a lender. The four banks provided HK\$300m each.

Mizuho is the facility agent. Signing was expected last Friday.

The Hong Kong-listed company is the guarantor, while its wholly owned unit **XINYI GROUP (GLASS)** is the borrower.

Funds must be used in accordance with the borrower's green finance framework, which has received a pre-issuance stage certificate from the Hong Kong Quality Assurance Agency as part of the agency's Green Finance Certification Scheme.

The deal pays an interest margin of 90bp over Hibor and a top-level all-in pricing of 114bp based on an average life of three years.

In December 2018, Xinyi Group (Glass) signed a HK\$1.2bn three-year bullet loan, which paid a top-level all-in pricing of 118bp based on a margin of 90bp over Hibor. MLAB Sumitomo Mitsui Banking Corp brought in four banks and increased

the deal from the HK\$750m launch size.

## › WHARF COMPLETES HK\$8BN LOAN

**WHARF FINANCE**, a wholly owned unit of Wharf (Holdings), has closed an HK\$8bn five-year facility.

DBS Bank, Mizuho Bank and Standard Chartered were the mandated lead arrangers, bookrunners and underwriters of the term loan and revolving credit facility. Sumitomo Mitsui Banking Corp joined as an MLAB and underwriter during syndication. Nanyang Commercial Bank, OCBC Bank and Shanghai Pudong Development Bank were the other incoming lenders. Signing is expected soon.

Wharf Finance is the borrower, while the parent company is providing a guarantee for the deal, which pays a top-level all-in pricing of 90bp based on an interest margin of 80bp over Hibor.

The Hong Kong-listed guarantor invests in and develops properties in Hong Kong and China, and manages hotels in Hong Kong. It also holds a stake of about 68% in Modern Terminals, which owns container terminals in Hong Kong and Shenzhen, and around 21% of Hong Kong Air Cargo Terminals.

Wharf Holdings is rated BBB (Fitch).

For full allocations, see [www.ifrasia.com](http://www.ifrasia.com).

## › TSL JEWELLERY CLUB ATTRACTS SEVEN

Hong Kong-listed Tse Sui Luen Jewellery (International) has closed its HK\$820m 3.5-year club loan with seven banks.

The lenders are: Bangkok Bank, China Construction Bank (Asia), China CITIC Bank International, Chong Hing Bank, Fubon Bank (Hong Kong), Hang Seng Bank and United Overseas Bank.

Hang Seng is the facility agent of the deal, which comprises a HK\$720m amortising term loan (tranche A) and a HK\$100m revolving credit facility (tranche B).

A signing ceremony will be held on March 29 in Hong Kong.

Tse Sui Luen Jewellery (International) is the guarantor, while its wholly owned units

**TSL MANUFACTURING AND DISTRIBUTION** and **TSE SUI LUEN JEWELLERY** are the borrowers.

The blended all-in pricing is 317bp based on an interest margin of 260bp over Hibor and a blended average life of 2.896 years.

The guarantor has more than 400 self-operated and franchised stores in mainland China. It also has shops in Hong Kong, Macau and Malaysia.

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## INDIA

## DEBT CAPITAL MARKETS

## GMR HYDERABAD INTL PLANS BOND

**GMR HYDERABAD INTERNATIONAL AIRPORT**, rated Ba1/BB+/BB+, has hired banks for a proposed 144A/Reg S offering of US dollar

senior secured bonds.

*Citigroup* and *HSBC* are joint global coordinators as well as joint bookrunners with *Axis Bank*, *Bank of America Merrill Lynch*, *JP Morgan* and *Yes Bank*.

The Indian airport operator has held fixed income investor meetings and calls in Singapore, Hong Kong, London and the United States since March 27.

The proposed notes have expected BB+ ratings from both S&P and Fitch.

## HDFC SELLS 10-YEAR BONDS AT 8.55%

**HOUSING DEVELOPMENT FINANCE CORP** has raised Rs50bn (US\$724m) from an offering of 10-year bonds at 8.55%, according to a filing on National Securities Depository Limited.

India's largest private housing finance company was planning to raise Rs20bn, plus a greenshoe option of Rs30bn.

*Axis Bank* was the arranger.

*Crisil* and *Icra* have assigned a AAA (stable) rating to the bonds.

## IG issuers lead offshore charge

## Bonds Ample liquidity and appetite for diversification set perfect backdrop

Indian high-grade borrowers flocked offshore last week to take advantage of good market conditions, pricing three bond deals worth a total US\$1.75bn.

**BANK OF BARODA**, rated Baa3/BBB- (Moody's/Fitch), issued US\$800m across three and five-year tranches on Thursday, after **INDIAN RAILWAY FINANCE CORP** sold US\$500m five-year senior unsecured bond on Wednesday and **NTPC** priced a US\$450m five-year note on Tuesday.

Baroda's US\$500m three-year tranche and US\$300m five-year notes priced at Treasuries plus 145bp and 170bp, respectively, both 20bp inside initial price guidance.

The lender's three-year notes tightened 3bp in the aftermarket, a sign that despite a deluge of tightly-priced offshore Indian deals since January there was still appetite for more of the same.

"If you look at Indian supply as a proportion of G3 supply, it's still less than 10%," said a banker on the deal. "There is still more appetite to digest this supply, which might not last. There's only a few more mandates out there."

Indian G3 bond volumes have reached US\$6.1bn so far this year, already surpassing the US\$6bn issued for the whole of 2018, according to Refinitiv data.

More supply is on the way. Private-sector lender **INDUSIND BANK**, acting through its Gift City branch, was set to meet investors from Friday for a benchmark US dollar senior unsecured Reg S bond via *Bank of America Merrill Lynch*, *Barclays*, *Citigroup*, *CLSA*, *HSBC*, *JP Morgan* and *Standard Chartered*.

**GMR HYDERABAD INTERNATIONAL AIRPORT**, rated Ba1/BB+/BB+, has also hired banks for a proposed 144A/Reg S offering of US dollar senior secured bonds.

*Citigroup* and *HSBC* are joint global coordinators as well as joint bookrunners with *Axis Bank*, *Bank of America Merrill Lynch*,

*JP Morgan* and *Yes Bank*. The Indian airport operator held fixed income investor meetings and calls last week.

The proposed notes have expected BB+ ratings from both S&P and Fitch.

## FLAT TO THE CURVE

The banker on the Baroda deal said final pricing came flat to a hypothetical new issue, in line with the minimal concessions that other Indian issuers had paid in their offshore transactions.

India's largest power utility **NTPC**, rated Baa2/BBB-/BBB-,

priced its bond on Monday at Treasuries plus 155bp, the tight end of final guidance of 155bp-160bp and inside initial guidance of 185bp area.

That looked flat to fair value, given that **NTPC's** November 2024 bonds were bid at Treasuries plus 159bp when bookbuilding began, and taking into account the pricing for peer **IRFC**, which priced a day earlier.

**NTPC's** notes have expected ratings of Baa2/BBB- (Moody's/Fitch), in line with **IRFC's** ratings of Baa2/BBB-/BBB-. However, the Indian government owns a 58.9% stake in **NTPC**, while it wholly owns **IRFC**, which acts as the borrowing arm for the Ministry of Railways.

As a result, bankers and analysts believe **NTPC** should pay a spread of 10bp or so over **IRFC's** bonds.

**IRFC's** US\$500m five-year bonds priced on Monday at Treasuries plus 150bp, but tightened to 148bp in secondary trading. Those notes priced 25bp inside initial guidance. Final pricing was flat to fair value, according to a note from *Nomura's* sales and trading desk.

## DEAL STATISTICS

**IRFC** drew orders of over US\$1.2bn from more than 100 accounts. Asia took 73% of the Reg S bonds, with accounts in EMEA and

offshore US investors booking 27%.

By investor type, funds took 40%, insurers and pension funds a combined 25%, sovereign investors 14%, banks 13%, and private banks and others a combined 8%.

The bonds are expected to be rated Baa2/BBB-/BBB-, in line with the issuer.

The government is expected to list **IRFC** in the coming years, but will retain a majority stake.

*Axis Bank*, *Barclays*, *DBS*, *Mizuho* and *MUFG* were joint bookrunners.

Baroda attracted over US\$780m on the three-year notes, with Asia accounting for 77% of the final deal and EMEA taking 23%. By investor type, funds and asset managers accounted for 47% of the transaction, followed by banks at 30%, public institutions 20%, with the rest going to private banks and other buyers.

On the 2024s, books exceeded US\$720m at reoffer. Asia bought 81% and EMEA 19%. Funds and asset managers accounted for 40%, banks 54% and the rest went to private banks and other investors.

*Barclays*, *BNP Paribas*, *Citigroup*, *DBS Bank*, *HSBC*, *JP Morgan*, *MUFG* and *Standard Chartered Bank* were joint bookrunners.

**NTPC** drew over US\$1.8bn in orders. Asia bought 90% of the deal, and EMEA/offshore US accounts took the rest. A source close to the deal said that high-quality real money had participated in decent size, drawn by the scarcity value of the credit. There was also good demand from Japanese investors, who have stepped up their interest in high-grade Indian bonds lately.

Funds bought 69%, banks 22%, insurers and pensions 8%, and the rest went to private banks and others.

*Axis Bank*, *Mizuho Bank*, *MUFG*, *SMBC Nikko* and *Standard Chartered* were lead managers for **NTPC's** Reg S offering.

FRANCES YOON, DANIEL STANTON

# Privatisations draw more private buyers

## ■ Equities LIC and state-owned banks buy fewer shares in disinvestment programme

The Indian government is reducing its dependence on state-owned buyers for its ongoing disinvestment programme.

During the just-ended 2018–2019 financial year, state-owned Life Insurance Corporation of India and public sector banks bought around Rs50bn–Rs60bn (US\$726m–\$860m) of shares out of total divestments of Rs850bn, said Venudhar Reddy, joint secretary of the Department of Investment and Public Asset Management, which manages the disinvestment programme.

This marks a sharp fall from the Rs250bn they had bought in the previous financial year out of Rs1trn in divestments.

“We want to list more state-owned companies for correct price discovery and financial discipline. We don’t want to force the LIC and banks to buy the shares and have a namesake listing,” Reddy said.

In the past LIC has backstopped several government share sales with orders for half of the deal, or more.

The reduced dependence on state-owned investors has, however, lengthened the offering periods of some IPOs.

In the just-ended financial year, MSTC and Garden Reach Shipbuilders & Engineers had to extend their respective Rs2.3bn and Rs3.4bn IPOs to ensure the books were covered.

The government also raised only Rs59bn from a 3.5% stake sale in Coal India through an offer for sale, far below its Rs149bn maximum target, as LIC bid for a relatively modest 20% of the deal.

Reddy said the government is planning to list at least 10 state-owned companies in the 2019–2020 financial year that begins on April 1. They are: **TELECOMMUNICATION CONSULTANTS INDIA, RAILTEL CORPORATION INDIA, NATIONAL SEED CORPORATION INDIA, TEHRI HYDRO DEVELOPMENT, WATER & POWER CONSULTANCY SERVICES INDIA, FCI ARAVALI GYPSUM AND MINERALS INDIA, INDIAN RAILWAY FINANCE CORPORATION, INDIAN RAILWAY CATERING AND TOURISM**

**CORPORATION, IREDA and NORTH EASTERN ELECTRIC POWER CORPORATION.**

For the fiscal year 2018–2019 the government exceeded its disinvestment target by Rs50bn.

Finance minister Arun Jaitley tweeted that, as of March 22, the government had raised Rs850bn as against a target of Rs800bn. The funds have been raised through the sale of shares in state-owned companies and by tendering shares in the share buyback programmes of state-owned companies.

The disinvestment target for the fiscal year 2019–2020 is Rs900bn.

The IPOs conducted during the 2018–19 fiscal year were Rites (Rs4.7bn), MSTC (Rs2.3bn), Garden Reach and Shipyard (Rs3.4bn) and Ircon International (Rs4.7bn). Stakes were also sold through offers for sale on local stock exchanges in Axis Bank (Rs54bn) and Coal India (Rs59bn).  
S ANURADHA

## ► IRFC ISSUES 10-YEAR BONDS AT 8.23%

State-owned **INDIAN RAILWAY FINANCE CORP** has raised Rs25bn from 10-year bonds at 8.23%, according to a filing on National Securities Depository Limited.

Crisil, Icra and Care have assigned a AAA rating to the notes.

On March 20, IRFC raised Rs30bn from 10-year bonds at 8.3%.

In the offshore market, IRFC raised US\$500m from five-year senior unsecured bonds at par to yield 3.73% last week. This was equivalent to Treasuries plus 150bp, inside initial guidance of 175bp area.

## ► NABARD PRINTS TWO-PART BONDS

**NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT** has raised Rs24.51bn from two-part bonds, according to a filing on National Securities Depository Limited.

Nabard raised Rs9.88bn from a 10-year tranche at 8.15% and Rs14.63bn from a 15-year portion at 8.20%.

Crisil and India Ratings have assigned AAA ratings to the notes.

## ► NHAI PICKS 10 AND 30-YEAR TENORS

**NATIONAL HIGHWAYS AUTHORITY OF INDIA** has raised Rs75.25bn from two-part rupee bonds, according to a filing on National

Securities Depository Limited.

The state-owned issuer raised Rs55bn from 10-year bonds at 8.27% and Rs20.25bn from a 30-year tranche at 8.179%.

The notes are rated AAA by Crisil, India Ratings, Icra and Care Ratings.

On February 7, NHAI raised Rs20bn from 10-year bonds at 8.49%.

## ► REC, PFC PRINT T2 BONDS

**REC**, formerly known as Rural Electrification Corporation, and **POWER FINANCE CORP** have raised a total of Rs31.51bn from 10-year subordinated Tier 2 bonds.

REC printed Rs21.51bn at 8.97% and PFC raised Rs10bn at 8.98%.

Care, Icra and Crisil have assigned AAA rating to the bonds.

Separately, PFC has set an overall borrowing limit of Rs810bn for FY20. It recently paid Rs145bn for a government stake in REC, according to a filing on the exchanges.

## SYNDICATED LOANS

### ► IRFC MANDATES THREE FOR SAMURAI

**INDIAN RAILWAY FINANCE CORP** has mandated *Mizuho Bank*, *MUFG* and *Sumitomo Mitsui Banking Corp* for a new US\$300m-equivalent

seven-year Samurai loan, returning to the market six months after its last visit.

The three Japanese megabanks will pre-fund and sign the deal before launch into general syndication.

IRFC last signed a 10-year Samurai loan at ¥26.23bn (then US\$232m) in September after attracting three banks in general syndication. Mizuho, MUFG and SMBC were the mandated lead arrangers and bookrunners of the deal, which offered a top-level all-in pricing of 100bp based on an interest margin of 80bp over yen Libor and a remaining life of 9.5 years.

IRFC is rated Baa2/BBB–/BBB–.

## EQUITY CAPITAL MARKETS

### ► RAIL VIKAS SETS IPO PRICE RANGE

The government of India is selling a 12% stake in railway engineering company **RAIL VIKAS NIGAM** through an IPO of up to Rs4.8bn (US\$89m) at Rs17.00–Rs19.00 per share, according to a public announcement.

Books opened for subscription of 253.5m shares on March 29 and will close on April 3.

RVNL, which is currently a wholly owned subsidiary of the ministry of railways, recorded revenue of Rs75.6bn in the financial year that ended on March 31 2018, according to preliminary figures quoted on

the company's website, against Rs59.2bn in 2017. Profit after tax rose to Rs4.5bn from Rs3.9bn during the same period.

*Elara Capital, IDBI Capital and Yes Securities* are the bookrunners.

The company was set up in 2002 to modernise and expand India's rail network.

#### INDIA SEEKS BANKS FOR KIOCL SALE

The Department of Public Investment and Asset Management has invited bids from banks to manage a 15% stake sale in iron miner and pellet manufacturer **KIOCL**.

At last Monday's close, the deal's value was around Rs13bn. The shares will be sold through a follow-on public offer.

Dipam said it plans to hire up to four managers for the deal. Bids must be submitted by April 18.

The government owns 99% of the listed company.

KIOCL earned a profit after tax of Rs670m in the nine months to December 31 2018 and had a net worth of Rs19bn.

#### POLYCAB TO LAUNCH IPO THIS WEEK

Wire and cable maker **POLYCAB INDIA** plans to launch a smaller-than-planned IPO of up to Rs14bn this week, people with knowledge of the transaction have said.

The company was earlier planning to raise up to Rs27bn but stock market volatility has weighed on valuations.

Anchor books are likely to open for one day on April 4 and the rest of the offer will be open from April 5 to April 9.

In its draft prospectus, the company said it would sell Rs5bn worth of primary shares and 24.8m secondary shares. Founders Inder Jaisinghani, Ajay Jaisinghani, Ramesh Jaisinghani and Girdhari Jaisinghani are among the vendors of the secondary shares along with International Finance Corp. IFC currently owns 15% of the company.

The company's revenue from operations rose to Rs69bn in the financial year that ended on March 31 2018 from Rs60bn in 2017. Net profit rose to Rs3.7bn from Rs2.3bn.

*Axis, Citigroup, Edelweiss and Kotak* are the joint global coordinators and bookrunners with *IIFL Holdings* and *Yes Securities*.

#### BNP PARIBAS SELLS SBI LIFE BLOCK

BNP Paribas Cardif has raised Rs29bn through the sale of 51m **SBI LIFE INSURANCE** shares at Rs575 each, people with knowledge of the transaction said.

The deal comprised a base deal of 30m shares, or 3% of the capital, with an upside option of 21m shares (2.07%) which was fully exercised.

Books were multiple times covered with around 25 accounts participating. Asian (including Indian) investors accounted for 55% of the book while the rest were from Europe and the US. The top 10 accounts were allocated 75%, and 80% of the deal went to long-only institutions.

The price translates to a 6.7% discount to the pre-deal close of Rs616.20.

There is a 90-day lock-up on the vendor. *BNP Paribas* is the placement agent.

## INDONESIA

### SYNDICATED LOANS

#### EXIMBANK SEEKS WAIVER

**INDONESIA EXIMBANK** is seeking a waiver from lenders for a covenant breach on a US\$1.15bn loan it signed nine months ago even as it eyes a new, smaller loan.

*MUFG* sent out the waiver request in late February for the breach on the three-

tranche loan completed last July that attracted participation from 37 lenders, including seven mandated lead arrangers and bookrunners.

The covenant relates to Indonesia Eximbank's net non-performing loans ratio, which stood at 10.27% at the end of 2018.

The policy bank has to maintain its net NPL ratio below 5% as required by Indonesia's Financial Services Authority. Exceeding that level is a breach of the covenant.

The waiver request requires consent from at least two-thirds of the lenders (by amount outstanding). The deadline for responses is April 15.

People close to the deal said Indonesia Eximbank would be able to win the waiver from lenders.

However, the borrower would have to pay up on its latest dual-tranche borrowing of up to US\$900m. The deal is expected to have tenors of 25 and 37 months. Banks bidding for the mandate were given a Tuesday deadline to submit proposals.

ANZ, First Abu Dhabi Bank, Mizuho Bank, MUFG, OCBC Bank, Standard Chartered and UOB Bank were the leads

## Investors retain Lippo bonds

#### Bonds Indonesian developer's bonds rally beyond tender price

**LIPPO KARAWACI** ended up repurchasing only US\$8.67m in principal amount of its dollar bonds under a tender offer, far short of the maximum amount it had offered to buy, but the issuer will have no complaints after its fundraising exercise restored confidence in the credit.

Lippo Karawaci had been willing to buy up to US\$150m of the bonds, but those surged in the secondary market on news of an equity raising.

The Indonesian property developer offered to pay US\$900 per US\$1,000 in principal amount for its US\$410m 7.00% senior notes due April 7 2022, and US\$820 per US\$1,000 for the US\$425m 6.75% senior notes due October 31 2026.

The cash tender was funded by a US\$730m equity rights offer underwritten by the controlling Riady family and US\$280m of proceeds from property sales.

News of the rights issue leaked before the announcement, sending the bond prices higher in secondary trading, and they surged further when the news was confirmed on March 12.

The 2022s leapt to a cash price of 98.8 on March 22, the deadline for the tender offer, from 73.0 on February 28, according to

Tradeweb. The 2026 bonds rocketed to 90.7 from 66.9 over the same period.

That meant that the bonds were each trading more than eight points above the tender prices, so that anyone who wanted to cash out could find a willing buyer in the secondary market at a higher price than via the tender offer.

Many bondholders would have decided to hold on to the paper, in light of the company's credit-positive deleveraging plans.

Following the announcement of the fundraising, S&P and Fitch, who both rate Lippo Karawaci CCC+, placed it on review for possible upgrades.

In a presentation, Lippo Karawaci estimated the exercise would cut its debt-to-equity ratio to 0.4x, from 0.8x, and reduce dollar-denominated debt by around US\$300m to US\$660.2m.

It is understood that Lippo Karawaci can use the remainder of the US\$150m earmarked for the bond buyback to pay down other debt on its balance sheet.

*Credit Suisse* is sole financial adviser for the rights issue and was dealer manager for the tender offer.

DANIEL STANTON

on the July 2018 deal, which comprises a US\$395m one-year tranche A, a US\$335m three-year tranche B and a US\$420m five-year tranche C. That facility paid a top-level all-in pricing of 60bp, 92bp and 108bp, respectively, based on interest margins of 45bp, 75bp and 95bp over Libor for the one, three and five-year maturities.

#### » BFI FINANCE INCREASES LOAN

**BFI FINANCE INDONESIA** has increased a three-year loan to US\$200m from the US\$100m target.

ANZ, MUFG, Standard Chartered and Sumitomo Mitsui Banking Corp were the mandated lead arrangers and bookrunners of the facility, which has an interest margin of 115bp over Libor and an average remaining life of 1.875 years.

Lenders were offered a top-level all-in pricing of 130bp via a participation fee of 27.5bp. Signing was slated for last week.

In October 2017, the borrower raised a US\$125m three-year facility. MUFG, Standard Chartered and Sumitomo Mitsui Banking Corp were the MLABs of that financing, which offered a top-level all-in pricing of 160bp based on a margin of 140bp over Libor and an average remaining life of 1.625 years.

The Trinugraha Capital consortium, which includes private equity firms TPG and Northstar Group, owns a 42.8% stake in BFI Finance, a provider of leasing and consumer finance services.

For full allocations, see [www.ifrasia.com](http://www.ifrasia.com).

#### » PLN SEEKS 10-YEAR BORROWING

State-owned electricity utility **PERUSAHAAN LISTRIK NEGARA** is sounding the market for a Rp12trn (US\$847m) 10-year financing, returning six months after it completed its debut foreign currency loan.

The deal is for general corporate purposes.

In October, PLN raised US\$1.62bn from its maiden foreign-currency loan, which it increased from a US\$1.5bn target after attracting 13 banks in general syndication.

ANZ, Bank of China Hong Kong, Citigroup, Mizuho Bank, OCBC, Sumitomo Mitsui Banking Corp and United Overseas Bank were the mandated lead arrangers and bookrunners of the borrowing, which comprised a US\$1.32bn five-year amortising term loan tranche A and a US\$300m three-year revolving credit facility tranche B.

The deal offered a top-level all-in pricing of 107.87bp (offshore) or 117.87bp (onshore) for lenders participating in tranche A only and a blended top-level all-in pricing of 105.8bp (offshore) or 115.8bp (onshore) for participation in both tranches.

Tranche A pays an interest margin of 92.32bp (offshore) or 102.32bp (onshore) over Libor and has an average life of 4.18 years, while tranche B pays 75bp (offshore) or 85bp (onshore) and has an average life of 2.83 years.

## JAPAN

### SYNDICATED LOANS

#### » MITSUI RAISES LOAN FOR IHH STAKE BUY

**MITSUMI & CO** signed last Thursday a US\$1.051bn loan from *Japan Bank for International Cooperation* and commercial banks to back its US\$2bn stake acquisition of Malaysia's IHH Healthcare, JBIC said in a statement.

JBIC is funding US\$400m, while the commercial lenders are providing the remainder.

Last November, the Japanese trading house agreed to buy a 16% stake in IHH from Malaysian sovereign wealth fund Khazanah Nasional Bhd. The purchase will increase Mitsui's stake to 32.9% and make it the biggest shareholder of one of Asia's largest private hospital groups.

#### » ORION BREWERIES LOAN CLOSES AS CLUB

A ¥47.7bn (US\$435m) senior loan backing the management buyout of Okinawa-based **ORION BREWERIES LTD** has closed as a club deal.

The MBO loan attracted regional banks in Okinawa prefecture, including *Okinawa Bank* and *Bank of the Ryukyus*, as well as the usual participants such as MUFG and Japanese insurers.

*Mizuho Bank* and *Nomura Capital Investment* were the arrangers and underwriters.

The total ¥47.7bn financing was split into an ¥8bn seven-year amortising term loan, a ¥22bn seven-year bullet term loan and a ¥17.7bn six-month bridge loan.

Ocean Holdings, owned by Nomura Capital Partners (51%), and Carlyle Group (49%), last Friday completed a tender offer of ¥79,200 per share for Orion Breweries.

NCAP and Carlyle are investing ¥11.067bn and ¥10.633bn in equity, respectively.

The acquisition was expected to close last Friday.

Orion president Yoshio Kadekaru, who is part of the buying consortium, will remain on the company's board of directors.

Orion Breweries has produced and distributed alcoholic beverages and soft drinks since 1957.

#### » JOGMEC RETURNS WITH JUMBO LOAN

**JAPAN OIL GAS & METALS NATIONAL CORP** is back for a ¥544.65bn one-year bullet term loan, slightly over a month after signing a smaller borrowing.

The interest rate on the government-guaranteed loan will be determined through conventional auctions with pricing bids due on April 11.

Sumitomo Mitsui Banking Corp is the agent. Drawdown is slated for April 26, and proceeds will be for operating funds.

JOGMEC, which visits the loan market multiple times in a year, typically raises a large loan in April. The company completed a ¥393.536bn one-year term loan with a similar structure and a zero interest rate in April last year.

In February, the borrower obtained a ¥35.989bn one-year term loan at zero interest after heavy oversubscription from lenders such as regional banks.

#### » KATITAS SIGNS ¥25BN REFI

**KATITAS** has signed a ¥24.75bn loan for refinancing, the Japanese real estate firm said in a statement last Wednesday.

The loan comprises a ¥4bn one-year commitment line, a ¥2.23bn three-year amortising term loan, a ¥16.02bn five-year bullet term loan and a ¥2.5bn five-year bullet term loan. The commitment line can be extended and increased up to four times.

*Mizuho Bank* was the arranger, while *Ashikaga Bank*, *Bank of Kyoto*, *Chiba Bank*, *Daishi Bank*, *Hachijuni Bank*, MUFG, *Nishi-Nippon City Bank*, *Resona Bank*, *Shikoku Bank*, *Shizuoka Bank*, *Sumitomo Mitsui Banking Corp*, *Taiko Bank* and *Tokushima Bank* joined in syndication. Drawdown is slated for March 29.

Funds are to refinance a ¥20bn five-year loan completed in March 2016, on which Mizuho was also the arranger.

#### » SEKISUI HOUSE REIT SIGNS ¥17BN REFI

**SEKISUI HOUSE REIT** signed a ¥17bn bullet term loan for refinancing on March 22.

The deal is split into a ¥4.1bn fixed-interest rate portion and a ¥12.9bn floating-rate piece. Both tranches have tenors ranging from 4.16 to 8.92 years, and pay interest margins ranging from 18.5bp over one-month Tibor to 41.5bp over one-month Tibor.

*Mizuho Bank*, MUFG and Sumitomo Mitsui Banking Corp were the arrangers, while 77 Bank, Bank of Fukuoka, Mizuho Trust & Banking, Norinchukin Bank, Resona Bank, Senshu Ikeda Bank, Shinkin Central Bank, Sumitomo Mitsui Trust Bank and Yamaguchi Bank joined in syndication.

Drawdown is slated for March 29.

The Tokyo-listed borrower invests in residential and commercial buildings mainly in the Tokyo, Osaka and Nagoya areas.

#### » NIPPON REIT SIGNS ¥22BN REFI

**NIPPON REIT INVESTMENT** signed a ¥21.67bn bullet term loan for refinancing, the Tokyo-listed real estate investment trust said last Thursday.

MUFG was the arranger, while Aozora Bank, Mizuho Bank, Mizuho Trust & Banking, Nomura Trust & Banking, Resona Bank, Shinsei Bank, Sumitomo Mitsui Banking Corp and Sumitomo Mitsui Trust Bank joined in syndication.

The deal has six tranches with tenors ranging from three to 10 years. The interest margins range from 24.5bp to 65bp over one-month Tibor.

A ¥9.97bn portion of the funds will be

drawn on April 24 and the remainder will be drawn on July 22.

The borrower invests mainly in office buildings.

#### » INVINCIBLE SIGNS ¥11BN REFI

**INVINCIBLE INVESTMENT** signed a ¥11.434bn bullet term loan for refinancing, the Tokyo-listed real estate investment trust said last Wednesday.

The loan has ¥7.934bn three-year, ¥2.5bn five-year and ¥1bn 10-year tranches with margins of 30bp, 50bp and 80bp over one-month Tibor, respectively.

Mizuho Bank was the arranger, while Aozora Bank, Bank of Fukuoka, Development Bank of Japan, Kiraboshi Bank, MUFG, Nishi-Nippon City Bank, Nomura Trust & Banking, Senshu Ikeda Bank, Shinsei Bank, Shizuoka Bank, Sumitomo Mitsui Trust Bank, Resona Bank and Tochigi Bank joined in syndication.

Drawdown was slated for Friday.

The borrower invests in hotels and residential properties.

#### » FPG TO RENEW COMMITMENT LINES

**FINANCIAL PRODUCTS GROUP** is set to renew two commitment lines totalling ¥28.2bn, the Tokyo-listed financial services firm said on March 22.

On March 29, FPG will sign a ¥12.75bn one-year facility to replace a ¥15bn deal completed last year.

Sumitomo Mitsui Banking Corp was the arranger and agent on the latest deal, while MUFG came in as lender. Funds are for real estate acquisitions.

On March 26, the borrower will sign a ¥15.45bn-equivalent one-year facility to replace a ¥9.3bn deal also from last year.

The latest facility has a ¥5.45bn tranche and a ¥10bn dual-currency tranche in US dollars or yen.

MUFG was the arranger and agent while Bank of Iwate, Daito Bank, Fukushima Bank, Higo Bank, Kagawa Bank, Minato Bank, Osaka Prefectural Credit Federation of Agricultural Cooperatives, Tochigi Bank, Tottori Bank and Toyama Daiichi Bank joined in syndication. Funds are for the borrower's tax leasing arrangement business, aircraft financing and refinancing purposes.

Both facilities have two financial covenants: the borrower must maintain a minimum of 75% of net assets and should post no recurring losses.

FPG last tapped the syndicated loan market in December when it raised a ¥15bn one-year commitment line, which can be drawn in US dollars or yen. SMBC was the arranger and agent.

## Italy taps yen market

### ■ Bonds Sovereign picks Japan for first foreign currency bond in over two years

The **REPUBLIC OF ITALY** sold the first foreign currency bond off its MTN programme in over two years on March 22, a ¥25bn (US\$227m) four-year trade that potentially paves the way for more issuance in foreign currencies.

After spending most of 2018 in the doldrums, the sovereign has been able to take advantage of a marked change in market conditions to raise €18bn (US\$20bn) via syndication in 2019.

However, the yen private placement via *Nomura* was the first time that the issuer has turned to the foreign currency market since October 2016.

The deal emerged just as the country endorsed China's Belt and Road infrastructure plan, becoming the first major Western power to back the initiative.

Italy has wanted to have a more regular presence in foreign markets, and a global benchmark US dollar deal is one of this year's most anticipated SSA mandates.

While that deal has yet to emerge, it was a reverse enquiry that drove the private placement, according to a banker.

"Rates in Japan are negative; JGBs in this maturity are negative," the banker said.

"You have a negative-rate environment, which is why you're seeing Japanese investors diversifying into Europe and Italy specifically, as within Europe, it does offer a pick-up against other sovereigns."

The March 2023 trade priced with a yield

of 0.885% and was attractive versus the issuer's funding in euros, according to the banker.

The Italian Tesoro has said it would evaluate EMTN opportunities so as to obtain a reduction in the cost of financing versus the comparable "theoretical" domestic securities with the same maturity.

"It confirms appetite for Italy from conservative investors. People still see value and see through some of the volatility and some believe now is a good entry point to come in," the banker said.

The emergence of the trade will likely fuel speculation that a US dollar deal could soon follow.

"Whether they look at other stuff now is all speculation. This was an opportunistic transaction; they were able to do it as they now have a CSA in place and the level was interesting for Italy," the banker said.

Italy completed all legal and organisational aspects in order to finalise bilateral guarantee agreements (Credit Support Annex, CSA) in the second half of 2018 and is keen to restart its Global issuance, which it last did in 2010.

"Should the market context become more stable ... the Treasury will take into account the launch of a first security with the maturity that will receive the most feedback among investors," it said in its guidelines for 2019 issuance.

HELENE DURAND

## MALAYSIA

### DEBT CAPITAL MARKETS

#### » SUNWAY REIT PLANS PERPETUALS

**SUNWAY REAL ESTATE INVESTMENT TRUST** is planning to issue subordinated perpetual bonds in the second quarter off a proposed M\$10bn (US\$2.49bn) perpetual note programme.

The Malaysian property trust is awaiting Securities Commission Malaysia's approval on the programme before making the first drawdown.

Under the programme, the trust will sell unsecured and subordinated bonds via issuer SUNREIT Perpetual Bond. Proceeds will be used to fund Sunway REIT's investment activities, refinance debt and/or

meet working capital needs.

HSBC Bank Malaysia and Kenanga Investment Bank are joint principal advisers, lead arrangers and lead managers for the programme.

#### » LPPSA GOES PRIVATE

##### LEMBAGA PEMBIAYAAN PERUMAHAN SEKTOR AWAM

has raised M\$3bn from the sale of six tranches of Islamic bonds guaranteed by the government of Malaysia.

A M\$300m five-year tranche will pay 3.87%, a M\$500m seven-year tranche 4%, a M\$300m 10-year tranche 4.06%, a M\$300m 15-year tranche 4.28%, a M\$600m 20-year tranche 4.58% and a M\$1bn 30-year tranche 4.8%.

The Malaysian public-sector housing-financing agency privately placed the Islamic bonds the previous week.

Affin Hwang, AmInvestment Bank, Bank Islam,

CIMB, Maybank, OCBC and RHB were joint lead managers.

#### » DANAINFRA FUNDS FOR TRAINS

Malaysia's state-owned **DANAINFRA NASIONAL** has raised M\$3.8bn from the sale of six tranches of Islamic bonds in tenors of seven to 29 years.

Two of the tranches were priced via the bookbuilding route. A M\$400m 10-year tranche was set at par to yield 4.08% and a M\$800m 15-year tranche at 4.3%, well inside initial price guidance in respective ranges of 4.10%–4.15% and 4.35%–4.45%.

It also privately placed M\$700m of seven-year sukuk priced at 4.03%, M\$600m of 18-year notes at 4.53%, M\$500m of 24-year notes at 4.72% and M\$800m of 29-year notes at 4.82%.

DanaInfra, a funding vehicle set up by

the Malaysian government to raise funds for public transportation projects, will use the proceeds to expand its mass rapid transit network.

All the notes will be irrevocable and unconditionally guaranteed by the government. Settlement is on April 1 and the bonds will be issued off a M\$61bn Islamic CP/MTN programme under the murabaha format via a tawarruq arrangement.

AmInvestment Bank, CIMB Investment Bank, HSBC Amanah Malaysia, Maybank Investment Bank and RHB Investment Bank were joint lead managers for the transaction.

DanaInfra raised M\$3bn from six tranches of bonds in January to finance the Pan-Borneo highway.

#### » MNRB TAKES T2 ROUTE

Malaysian investment company **MNRB HOLDINGS** settled M\$320m of 10-year non-call subordinated Islamic bonds at par to yield 5.2% on March 22.

The sukuk, under the murabaha format, is counted as Tier 2 capital. It used up a M\$320m subordinated sukuk programme set up in January. Proceeds will be used to fully redeem a M\$320m revolving credit facility extended by AmBank Malaysia.

AmInvestment Bank, who is principal adviser and lead arranger on the programme, was sole lead manager for the bond.

MNRB's main business is in insurance services through key subsidiaries Malaysian Reinsurance and Takaful Ikhlas.

## EQUITY CAPITAL MARKETS

#### » LEONG HUP TO START PRE-MARKETING IPO

Poultry producer **LEONG HUP INTERNATIONAL** plans to start pre-marketing a smaller US\$250m Bursa Malaysia IPO this week, people with knowledge of the transaction said.

The company was originally looking at an IPO of up to US\$600m, but volatile stock market conditions in Asia have led to lower valuations.

Fewer secondary shares will be sold in the IPO, though the final number has not yet been disclosed. In its draft prospectus, Leong Hup said 1bn secondary shares and 600m primary shares would be sold.

Institutions will be allotted 1.50bn shares and retail investors 105m.

The founding Lau family and Clarinden Investments are the vendors

# Mongolian Mining raises offer

## ■ Bonds Coal miner increases tender price to attract major bondholders

**MONGOLIAN MINING CORP** has raised the price on offer in a tender offer for its US dollar senior bonds, following feedback from bondholders.

When the tender offer was first announced, the coking coal producer planned to pay US\$1,010 per US\$1,000 in principal amount for its US\$412.5m senior notes due 2022, including a US\$50 premium for holders who tendered by the early bird deadline of April 2.

It has raised the total amount on offer to US\$1,050 per US\$1,000, including a US\$70 early bird bonus, and pushed back the early bird deadline to April 8. The final tender deadline has been extended by eight days to April 25.

The company said it had received indications of intent from holders of US\$303.176m of the senior notes to participate at the new terms.

Nomura's sales and trading desk said in a note that MMC had been generating free cashflow, which would probably allow it to start paying out a cash sweep premium to redeem some of the bonds from this year.

MMC is also offering to buy back up to US\$50m of its US\$195m perpetual securities.

The tender price for the perps will be decided in a modified Dutch auction, but the maximum price will be no more than US\$510 per US\$1,000 in principal amount for those who tender by the early bird deadline of April 2, which includes a US\$50 premium over the regular tender price. These terms have not

changed since the original announcement.

The senior bonds were trading at a cash price of 93/94 before the announcement, while the perps were at 50, according to Nomura's note.

MMC is planning to fund the tender by issuing US dollar senior unsecured bonds with indirect subsidiary Energy Resources as co-issuer. The proposed new 144A/Reg S notes have expected ratings of B-/B (S&P/Fitch).

The interest rate for the new notes is expected to be announced on April 2.

The perpetual securities and senior bond were issued following a restructuring of the coking coal producer's bonds in 2017. The perpetual bonds are zero-coupon, while the senior bonds currently pay 8%, with the coupon determined by the prevailing coal price.

The company is seeking to amend certain terms of the senior notes including eliminating some covenants, restrictive provisions and events of default. MMC said this would give it additional flexibility to expand its business in Mongolia. It also plans to repay a US\$23.7m senior loan, freeing up certain collection accounts and coal stockpiles pledged under the loan.

JP Morgan and Morgan Stanley are dealer managers and solicitation agents. They are also joint bookrunners for the proposed new bond issue. *Frontier Strategies* is advising MMC.

DANIEL STANTON

of the secondary shares. Clarinden is owned by private investor Affinity Equity Partners.

Leong Hup was previously listed on Bursa Malaysia as Leong Hup Holdings but it delisted in 2012.

The company has operations in Malaysia, Indonesia, Vietnam, Singapore and the Philippines. It owns poultry farms and sells chicken products under the brands Ayam A1 and SunnyGold in Malaysia, SunnyGold and Ciki Wiki in Indonesia and Lee Say in Singapore.

*Credit Suisse, Maybank and RHB* are joint global coordinators and bookrunners with *AmInvest, DBS, Hong Leong, HSBC and OCBC*.

Meanwhile, Malaysian food operator QSR Brands is pre-marketing an IPO of up to US\$500m.

Books for the KFC and Pizza Hut franchisee are expected to open in late April.

## NEW ZEALAND

### DEBT CAPITAL MARKETS

#### HOUSING NZ BUILDS NZ\$500M BOND

**HOUSING NEW ZEALAND**, rated AA+ (S&P), raised the maximum NZ\$500m (US\$340m) it was seeking from last Thursday's 7.5-year Sustainability bond issue under its Sustainability Financing Programme.

The 2.247% October 5 2026s priced at par, towards the tighter end of the 33bp–38bp guidance range, at mid-swaps plus 34bp and 79.2bp over the April 2025 NZGB.

ANZ and BNZ were joint lead managers for the transaction which, like the New Zealand Local Government Funding Agency's NZ\$1bn five-year syndicated debut sale on March 12, benefited from strong

demand for a rare high Double A rated domestic issuer that offers a decent pick-up over the sovereign curve.

Housing New Zealand has the same AA+ plus rating from S&P as the federal government, but is not rated by Moody's and Fitch which see the latter as an Aaa and AA+ credit, respectively.

On the downside HNZ and LGFA have no government guarantee, while their outstanding notes are less liquid than the New Zealand Debt Management Office benchmark lines of between NZ\$6bn and NZ\$11bn.

HNZ is a crown agency which provides housing services for New Zealanders in need.

It previously raised NZ\$300m from a dual-tranche local bond offer in October 2018, comprising a new NZ\$250m 3.42% 10-year bond and a NZ\$50m increase to the 2.97% June 12 2023 line.

#### MUFG DEBUTS WITH NZ\$200M FRN

**MUFG BANK, AUCKLAND BRANCH** (A1/A/A) made its debut in the local market last Wednesday with a NZ\$200m three-year floating-rate note sale, priced at the tight end of three-month BKBM plus 95bp–100bp guidance.

ANZ, BNZ, MUFG and Morgan Stanley were joint lead managers.

The previous three-year FRN issued by a Kiwi bank was on February 19, when domestic major lender ASB Bank (A1/AA–/AA–) raised NZ\$500m at three-month BKBM plus 83bp.

#### HEARTLAND OPENS OFFER

**HEARTLAND BANK** (formerly Heartland Building Society), rated BBB (Fitch), has mandated BNZ as arranger and joint lead manager with CBA, Deutsche Craigs and Westpac for a local fixed-rate five-year note offer, expected to open this week.

Heartland Bank previously issued a NZ\$150m 4.5% five-year retail note in September 2017.

## PHILIPPINES

### DEBT CAPITAL MARKETS

#### BDO UNIBANK SETS LTNCD RANGE

**BDO UNIBANK** has set guidance for a Ps5bn (US\$95m) offering of long-term negotiable certificates of deposit.

The LTNCDS have a term of 5.5 years and the guidance range is 5.125%–5.500%.

The offer runs from March 27 to April 5, with issuance expected on April 12. The size could be increased, depending on demand.

*Deutsche Bank* is sole lead arranger. It is also selling agent with *BDO* and *BDO Private Bank*. *BDO Capital* is financial adviser.

LTNCDS were until recently the most popular way for Philippine banks to sell debt securities, but last August the central bank eased rules for bond issuance, which has resulted in many banks opting to sell bonds instead.

LTNCDS are still popular with investors as the interest income is exempt from withholding tax as long as they are held for at least five years, and the principal is eligible for the Philippines' deposit insurance scheme.

#### CENTURY PROPERTIES SETS YIELD

**CENTURY PROPERTIES GROUP** has set the yield for three-year peso retail bonds at 7.8203%.

The developer is aiming for a base issue size of Ps2bn, with an option to increase this by Ps1bn.

*China Bank Capital* is issue manager, lead underwriter and bookrunner.

The bonds will be offered from April 1–5. Proceeds will be used to help finance affordable housing projects.

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## SINGAPORE

### DEBT CAPITAL MARKETS

#### › SIA BOND TAKES OFF

**SINGAPORE AIRLINES** has increased its 3.03% five-year bond to S\$750m (US\$554.3m) from S\$500m on healthy demand at the close of the offering last week.

The transaction comprises a S\$450m retail tranche that was offered to the public and a S\$300m institutional tranche. The respective tranches were increased from targeted sizes of S\$300m and S\$200m.

Around S\$562.3m of orders were put in by retail investors, which looked modest against the S\$1.74bn book pulled in from institutional investors for the placement tranche.

"A weaker risk sentiment may have dampened retail investors' appetite for unrated issues," said one credit analyst.

Based on the original tranche size of S\$200m, the SIA retail tranche was 1.75 times covered. In contrast, Astrea IV, which is indirectly owned by Temasek, sold S\$121m in a 4.35% retail tranche of asset-backed securities that drew nearly S\$890m with a coverage of 7.4 times in June.

Temasek itself attracted some S\$1.68bn in October for its debut retail 2.7% five-year bond which was upsized from S\$200m to S\$300m.

But institutional investors piled into the SIA bond mainly because of their familiarity with the credit, and also because of expectations of a strong secondary price appreciation of the retail bonds.

Insurers and fund managers took 48% of the institutional tranche, central banks, agencies and banks took 30% and private banks and corporate investors 22%. Geographically, Singapore accounted for 97% of the deal.

Settlement was last Thursday.

DBS was global coordinator, as well as joint lead manager and bookrunner with OCBC and UOB. All three banks had fully underwritten the offering. Proceeds will be used for aircraft purchases and aircraft related payments.

#### › METRO SHOPS FOR FUNDS

**METRO HOLDINGS** has raised S\$165m from the sale of five-year bonds priced last Tuesday at par to yield 4.3% with a spread of around 239bp over Singapore dollar SOR.

The unrated bond had been offered at initial price guidance in the 4.5% area.

Orders amounted to around S\$200m from 28 accounts. Private banks and

securities houses accounted for 45% of the deal, banks and corporate investors took 37% while fund managers and insurance companies took 18%. Singapore accounted for 99.8% and Hong Kong for 0.2%.

Settlement is on April 2.

DBS and OCBC were joint lead managers for the deal, which will be drawn from a S\$1bn multi-currency debt issuance programme. Proceeds will be used for general corporate needs, including debt refinancing, investments, acquisitions and capital expenditure.

Private banks received a 25-cent rebate.

This is the Singaporean department store and property owner's second deal since October, when it sold S\$150m three-year bonds at 4%.

#### › INVESTORS HOLD ON TO ASPIAL 2019S

**ASPIAL**'s move to reduce an outstanding 5.05% bond due on June 12 came up short after it only managed to repurchase a small portion of its S\$20m target.

Holders of S\$3.75m of the bond elected to sell back the 2019s at par under the repurchase offer, which ended March 22. The low take-up suggests that investors wanted to benefit from the relatively high coupon of an asset that was only three months from maturity. Aspiat said in February that it intended to repay the 5.05%

## CapitaLand Mall Trust diversifies

### ■ Bonds REIT makes rare foray into dollar bond market

**CAPITALAND MALL TRUST**, through wholly owned subsidiary CMT MTN, last Wednesday priced a US\$300m 10-year senior unsecured bond offering at par to yield 3.609%, equivalent to Treasuries plus 122.5bp, in its first US dollar offering since 2012.

Pricing was tighter than initial price guidance of Treasuries plus 145bp area, and the issuer was able to print the top end of the US\$250m–\$300m size it had targeted.

The retail-focused REIT's previous US dollar bonds have already matured, but an advantageous cross-currency swap made it a good time for Singaporean issuers to raise funds in US currency.

On top of that, CMT might have had to pay up to issue in such size in the Singapore dollar market, so it opted to venture into the deeper offshore market, allowing it to diversify its investor base.

The bonds, with an expected A2 rating from Moody's, were estimated to have printed flat to or inside fair value, which was seen at Treasuries plus 125bp based on references

to bonds from Sun Hung Kai Properties and Hong Kong's Link REIT, rated A1 and A2, respectively, by Moody's.

Compatriot SP PowerAsset's 2029 bonds, rated three notches higher at Aa2/AA (Moody's/S&P), were seen around Treasuries plus 83bp.

Final orders totalled US\$1.1bn from 65 accounts, with Asia taking 98% of the Reg S bonds. Fund managers booked 62%, banks 30%, insurers 4%, and private banks, pension funds and public sector investors a combined 4%.

Asia dominated the order book as European demand for REIT bonds is still limited, thanks to the European Union's rules on offerings by alternative investment funds.

The AIF rules are supposed to cover collective investment schemes that raise capital from a large group of investors, but there is ambiguity over whether REITs are included. The UK and Switzerland have clarified that they do not consider REITs to

be covered by the AIF directive, but investors in other European countries often need to spend time seeking special approvals to participate.

Investors in China and Hong Kong, too, are less familiar with REIT structures and needed time to consider the credit, even though Singapore has fairly conservative gearing ratio restrictions on its REITs, which ought to be positive for bond investors.

The Reg S notes will be issued off a S\$3.5bn multi-currency medium-term note programme, which is unconditionally and irrevocably guaranteed by HSBC Institutional Trust Services (Singapore) in its capacity as trustee of CapitaLand Mall Trust.

Proceeds will be used to refinance borrowings and for general corporate and working capital purposes.

DBS Bank and HSBC were joint bookrunners. The bonds traded softer on Thursday as investors took profits, widening about 5bp.

DANIEL STANTON

# BHG Retail REIT signs smaller offshore facility

## Loans Borrower cuts size due to lower valuation of properties

Singapore-listed **BHG RETAIL REIT** has closed a three-year offshore loan for the acquisition of a shopping mall in China at a smaller size of S\$240m (US\$177m).

*DBS Bank* was the original mandated lead arranger and bookrunner of the offshore portion. *United Overseas Bank* joined as MLAB, while seven others joined at the lower levels.

The offshore loan is split into a S\$67m term loan facility A, a S\$25m revolving credit facility B and a S\$148m term loan facility C.

The overall financing, which also included an unspecified onshore piece, was smaller than the anticipated S\$250m as the size of facility B on the offshore loan was reduced because of a lower valuation of the properties.

The borrower of the offshore facilities is DBS Trustee Ltd in its capacity as trustee of the REIT. The offshore facilities paid a top-

level all-in pricing of 300bp based on an interest margin of 220bp over SOR or Libor.

Facility A is for the acquisition of the Hefei Changjiangxilu Mall in China's Anhui province, while facility B is for working capital and facility C for refinancing.

BHG Retail REIT agreed last November to buy the mall for about Rmb328.3m (US\$48m) from Samuel Guok Chin Huat, who agreed to buy the property via a Singapore holding company from Shenzhen-listed Beijing Hualian Department Store. The mall was initially indirectly owned by Beijing Hualian Department Store through a PRC holding company, Hefei Hualian Ruicheng Shopping Plaza Commercial Operation.

The REIT's purchase received majority approval from BHG Retail REIT's unitholders at an extraordinary general meeting in December.

Under the terms of the facilities agreement, Beijing Hua Lian Group (Singapore) International Trading and Beijing Hualian Department Store must collectively own and maintain (directly and indirectly) at least 30% of the issued units of BHG Retail REIT.

BHG Retail Trust Management, the manager of the REIT, must be a direct or indirect wholly owned subsidiary of Beijing Hualian Department Store.

Through an inter-creditor agreement, the offshore facilities share the collateral with the onshore portion, which carries security over the REIT's five existing shopping malls in China as well as the property being acquired.

BHG Retail REIT owns shopping malls in Beijing, Chengdu, Hefei, Dalian and Xining.

For full allocations, see [www.ifrasia.com](http://www.ifrasia.com).  
CHEN MI WONG

bond in full when it matures in June.

This leaves the 2019s with an outstanding balance of just under S\$65m. *DBS* was the agent for the repurchase.

The Singapore-listed jewellery and real estate company has made a number of repurchases over the past few months, the last of which was a S\$15m buyback of the 2019s in January.

## CJ LOGISTICS WRAPS WITH CGIF

Singapore-based **CJ LOGISTICS ASIA** has raised S\$70m from the sale of five-year bonds guaranteed by the Credit Guarantee and Investment Facility.

The company, a subsidiary of South Korea's CJ Logistics, priced the notes at

par to yield 2.938%. Settlement was last Monday and the bonds were listed on the Singapore Exchange a day later.

The bonds are the first to be issued in Singapore under the ASEAN+3 Multi-Currency Bond Issuance Framework, which essentially provides for borrowers to file only one standard set of documents to sell debt in the member countries that have signed up for the framework.

S&P rated the bonds AA to reflect the unconditional and irrevocable guarantee from CGIF, an Asian Development Bank unit.

HSBC was sole lead manager for the deal, the proceeds of which were used to refinance short-term loans.

## SYNDICATED LOANS

### OXLEY ROYAL WHARF REFI NABS FIVE

**OXLEY HOLDINGS**'s up to US\$225m refinancing for a property development in London has attracted five lenders in syndication.

*Deutsche Bank* was the sole mandated lead arranger and bookrunner of the two-year financing, which pays an interest margin of 275bp over Libor.

The financing carries a first lien mortgage against Royal Wharf Phase II and III, which is under construction.

Oxley International Holdings, Oxley London, Oxley Wharf Property 1, Oxley Wharf Property 2, Oxley Wharf Property

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# Hyflux in dispute with white knight

## ■ Restructuring SMI disagrees on planned allocations to Hyflux creditors

**HYFLUX** last week revealed a number of disputes with the Indonesian white knight at the centre of a plan to rescue the company, including the planned use of some of the potential investment to seal a debt restructuring deal with its creditors.

The statement comes after Indonesian consortium SMI Investments had already threatened to pull the plug on its planned investment because of Hyflux's dispute with Singapore's Public Utilities Board over its management of the Tuaspring integrated water and power plant.

But the beleaguered Singaporean company said it was still on course to hold scheme meetings on April 5 for creditors, including all bondholders and unsecured bank lenders, to vote on the debt restructuring terms as SMI has not stated that it would pull out of the investment.

Hyflux said that SMI has rejected its proposal to use S\$271m (US\$200.3m) of the proposed S\$530m rescue investment to fully settle debt owed to creditors. SMI, a partnership between Salim Group and Medco Group, told local media last Thursday that new material

information had raised concerns over Hyflux's future working capital needs if the funds were used for the restructuring agreement.

But the Singaporean company said the commercial terms of the agreement covering how much cash and equity would be distributed to creditors had been agreed with SMI before the restructuring terms were disclosed on February 16. It argued that while it had since sweetened the cash offer for junior bondholders, this did not vary from the agreed commercial terms with SMI.

The company said it also disputed SMI's contention that a default notice served by the PUB over operational and financial problems at the Tuaspring plant constituted a "prescribed occurrence" under their investment agreement.

The consortium had said that this gave it the right to terminate its strategic investment if the matter was not remedied within two weeks or within a period mutually agreed on. The two-week deadline ends on April 1.

But Hyflux said a prescribed occurrence had not occurred since the PUB has not terminated its water purchase agreement

with Hyflux. It added that even if the agency were to terminate the WPA, it would have to wait until the April 5 deadline that it set for the problems at Tuaspring to be fixed before it could give a 30-day written notice that it was cancelling the agreement. Thus, any cancellation of the WPA would come into effect after the April 30 long-stop date for the agreement with SMI, it said.

"The company has been advised that the investor cannot rely on the PUB's termination of the WPA to lawfully and effectively terminate the restructuring agreement prior to the long-stop date," said Hyflux.

SMI had also sent a notice that a prescribed occurrence had occurred when Sonatrach and L'Algerienne des Eaux, off-takers of water from the Magtaa desalination plant in Algeria, sent a default notice on December 28 2018. Hyflux has to remedy the defaults by April 8.

Should SMI "wrongfully" terminate the investment agreement in the absence of a prescribed occurrence, Hyflux said it has the right to retain the initial deposit of S\$38.9m from SMI.

KIT YIN BOEY

3 and Oxley Wharf Property 4 are the guarantors of the financing, which will be used to refinance a US\$200m senior secured three-year term loan completed in late 2016.

Deutsche Bank was also the MLAB and underwriter of the 2016 bullet loan, which attracted four other lenders – China Minsheng Banking Corp and Qatar National Bank as MLABs in senior syndication, and Chang Hwa Commercial Bank and Taiwan Cooperative Bank as arrangers at the lower level. That loan had offered a top-level all-in pricing of 383.33bp based on a margin of 300bp over Libor.

Separately, Oxley Holdings' wholly owned subsidiary Citrine Property has closed a S\$317m (US\$230m) 4.5-year financing with Arab Bank and Shanghai Pudong Development Bank Singapore joining in syndication. HSBC and Maybank are the MLABs of the borrowing, which funds the redevelopment of Mayfair Gardens, a private residential estate in the Lion City. The financing, which has a S\$176.62m tranche A and a S\$140.62m tranche B, paid a top-level all-in pricing of 150bp based on a margin of 135bp over SOR and a remaining life of four years.

Listed on the Stock Exchange of Singapore, Oxley Holdings develops high-end residential, commercial and industrial projects in Singapore, the UK, Ireland, China, Cambodia, Malaysia, Myanmar, Indonesia and Japan.

For full allocations, see [www.ifrasia.com](http://www.ifrasia.com).

## SOUTH KOREA

### DEBT CAPITAL MARKETS

#### ■ IBK VISITS THE ALPS

**INDUSTRIAL BANK OF KOREA** (Aa2/AA-/AA-) last Tuesday priced SFr250m (US\$251m) 6.25-year bonds at par to yield 0.0219%, equivalent to mid-swaps plus 32bp.

This was slightly inside initial price thoughts of mid-swaps plus 32.5bp area, and brought final pricing 2bp inside IBK's curve.

Asset managers took 40%, treasuries 40%, insurers 10%, pension funds 5% and private banks 5%.

BNP Paribas and Credit Suisse were leads.

#### ■ LG CHEM EYES EURO, DOLLAR BONDS

**LG CHEM** has hired banks for a proposed 144A/Reg S senior unsecured Green bonds offering denominated in euros and US dollars, subject to market conditions.

Bank of America Merrill Lynch, BNP Paribas, Citigroup, HSBC, Morgan Stanley and Standard Chartered Bank will help to arrange investor meetings in Asia, Europe and the US, starting on April 1.

The issuer, rated A3 (stable) by Moody's and A- (negative) by S&P, is looking to issue Green bonds with a four-year or other tenor for euros, and 5.5-year and/or 10-year or other tenor for US dollars.

#### ■ SHINHAN READIES ESG CAPITAL

**SHINHAN BANK** (Aa3/A+/A) has mandated Bank of America Merrill Lynch, BNP Paribas, Credit Agricole and JP Morgan to arrange investor meetings in Asia, Europe and the US from April 1.

A US dollar Tier 2 bond offering under 144A/Reg S, and in line with the United Nations' Sustainable Development Goals, may follow, subject to market conditions.

The Basel III-compliant bonds are expected to be rated Baa1/BBB+/BBB+.

## EQUITY CAPITAL MARKETS

### SNK TO LAUNCH KRX IPO

**SNK**, a Japanese video game company, is set to open books for a KRX IPO of up to W170bn (US\$150m) in April, according to a term-sheet.

The deal comprising 4.2m primary shares, or 19.9% of the enlarged share capital, will be marketed in a price range of W30,800–W40,000 apiece. The range will give the company a potential market capitalisation of W649bn–W851bn.

About 80% of the float will be allocated to institutional investors and 20% to retail buyers.

The company, based in Osaka, is known for its series of fighting games such as “The King of Fighters”, “Metal Slug” and “Samurai Shodown”.

Founded in 1978, the company was acquired by Chinese online game company 37 Games for US\$63.5m in 2015 with an 81% stake.

Books will open on April 17–18. Pricing is expected to be on April 22.

*NH Investment & Securities* is the lead manager of the float.

### HYUNDAI AUTOEVER SHARES SKYROCKET

Shares of **HYUNDAI AUTOEVER**, an affiliate of Hyundai Motor Group, nearly doubled from the IPO price on their trading debut last Thursday on KRX.

The stock hit an intraday peak of W94,400 before closing at W88,700, against the IPO price of W48,000.

The IPO of 3.51m shares (9.9% primary/90.1% secondary) raised W168.4bn.

Pricing was set above the indicative range of W40,000–W44,000 after the deal was more than 800 times covered, according to a person close to the offering.

Established in 2000, AutoEver provides IT services for Hyundai’s subsidiaries, focusing on software development and system integration.

Pre-IPO, Hyundai Motor owned 28.48%

of Hyundai AutoEver, while Euisun Chung, executive vice chairman of Hyundai Motor Group, owned 19.47%, according to regulatory filing.

*NH Investment & Securities* was the lead manager of the deal.

## TAIWAN

### SYNDICATED LOANS

#### FORMOSA PLASTICS EYES NEW MONEY

Taiwanese conglomerate Formosa Plastics Group has sent out a request for proposals for a US\$421m-equivalent facility, marking its return to the loan market shortly after it raised three facilities totalling US\$2bn.

**FORMOSA CHEMICALS INDUSTRIES (NINGBO)**, a unit of Formosa Plastics, is the borrower on the deal, which comprises a Rmb1.89bn (US\$281m) portion and a US\$140m piece.

Funds will be used to back the construction of a plant in Ningbo, in east China’s Zhejiang province. Parent Formosa Plastics is providing a letter of support.

The deadline for responses was end of March.

Formosa Chemicals Industries (Ningbo) last raised a US\$155m-equivalent five-year term loan in September 2017. Mega International Commercial Bank and Bank of Taiwan were the mandated lead arrangers and bookrunners on that deal, which could be drawn in either renminbi or US dollars. The renminbi portion paid an interest margin of 100% of the PBoC rate, while the margin on the US dollar portion for tranche B was 125bp over Libor.

In March, Formosa Plastics raised three loans totalling US\$2bn – a US\$750m seven-year loan for Formosa Ha Tinh (Cayman), a special-purpose vehicle of Formosa Plastics, a US\$750m five-year loan for Formosa Ha Tinh (Cayman) and a US\$500m five-year

loan for Formosa Ha Tinh Steel, another Formosa Plastics unit.

#### GRAND PACIFIC RAISES US\$100M REFI

**GRAND PACIFIC FINANCE**, a US subsidiary of Taiwan’s Chailease Finance, has raised a US\$100m three-year financing.

*Bank of Taiwan* was the mandated lead arranger and bookrunner of the deal, which comprises a US\$27.5m term loan tranche A and a US\$72.5m revolving credit tranche B.

The deal offers interest margins ranging from 150bp to 250bp over Libor.

Chailease Finance is providing a guarantee.

Funds are to refinance a same-sized deal the borrower raised in September 2016 and for working capital purposes. BoT also led that deal, which attracted 10 banks in general syndication.

Signing was slated for March 28.

For full allocations, see [www.ifrasia.com](http://www.ifrasia.com).

#### CHANG WAH ELECTRO LIFTS LOAN

**CHANG WAH ELECTROMATERIALS** has increased its five-year loan to NT\$7.2bn-equivalent (US\$234m) from the NT\$6bn-equivalent target.

*Taishin International Bank* was the original mandated lead arranger and bookrunner, while *Bank of Taiwan* and *Land Bank of Taiwan* joined with the same title.

The deal comprises a NT\$7.2bn revolving credit tranche A available in NT dollars, renminbi, US dollars or yen, and a NT\$4.32bn guarantee tranche B. The two tranches cannot exceed a combined amount of NT\$7.2bn.

The interest margin on the NT dollar portion is 55bp over Taibor, with a pre-tax interest rate floor of 1.7%. The US dollar portion offers a margin of 95bp over Libor. The borrower will pay any excess interest rate beyond a 35bp difference between TAIFX and Libor. The margin on the renminbi portion is 95bp over CNH Hibor, while the yen portion offers 95bp over

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Tibor. Tranche B pays an annual guarantee fee of 55bp.

Banks were offered a top-level upfront fee of 10bp.

Funds are for refinancing and working capital purposes.

In January 2017, Chang Wah Electromaterials and its unit Chang Wah Technology raised a NT\$6.85bn five-year loan to back their acquisition of Singapore's SH Asia Pacific. Bank of Taiwan led that deal, which has a NT\$4bn tranche A and a NT\$2.85bn term loan tranche B. Both tranches could be drawn in NT dollars, renminbi, US dollars or yen.

The margin on the NT dollar portion ranged from 61bp to 75bp over Taibor, and the US dollar portion offered a margin ranging from 95bp to 115bp over Libor. The margin on the renminbi portion ranged from 95bp to 100bp over CNH Hibor, while the yen portion offered a margin ranging from 95bp to 115bp over Tibor.

For full allocations, see [www.ifrasia.com](http://www.ifrasia.com).

#### » RONG DING BRINGS MAIDEN DEAL

**RONG DING GREEN ENERGY** has closed a debut NT\$4.06bn 15-year loan.

Hua Nan Commercial Bank was the mandated lead arranger and bookrunner of the transaction, while six other banks joined as MLAs.

The deal has a NT\$3.71bn tranche A and a NT\$350m guarantee tranche B. Tranche A offered an interest margin of 64bp over the one-year post office savings rate, with a pre-tax interest rate floor of 1.7%, while

tranche B offers an annual guarantee fee of 50bp. Lenders were offered a top-level upfront fee of 20bp. Signing is slated for April 9.

Proceeds will fund the construction of a sewerage project in Taoyuan city.

The borrower was set up by Evergreen Steel, Taiwan's largest container freight shipping company, and CTCI Group, a Taiwanese waste-to-energy engineering company.

For full allocations, see [www.ifrasia.com](http://www.ifrasia.com).

## THAILAND

### DEBT CAPITAL MARKETS

#### » BAY FUNDS FOR REFINANCING

**BANK OF AYUDHYA** plans to sell up to Bt15bn (US\$470m) of senior unsecured bonds to refinance maturing bonds and meet general corporate needs.

In a filing to the Securities and Exchange Commission of Thailand, the Thai bank said it would offer three-year bonds at a yield of 2.37% to institutional investors during a two-day subscription period starting on April 2.

The self-led bonds are locally rated AAA by Fitch.

Bank of Ayudhya has a Bt7bn 1.96% bond maturing on June 24 and a Bt6bn 2.09% note maturing on October 27.

#### » PRUKSA SEES IN THREES

Thai property company **PRUKSA HOLDING** raised Bt3.5bn in an offering of three-year bonds priced at par to yield 2.78%.

A two-day subscription period was held last week for institutional and high-net-worth investors. Settlement was made last Thursday.

The holding company, which owns property developer Prukka Real Estate, will use the proceeds to refinance debt and to meet working capital needs.

*Kasikornbank* was sole lead manager for the bond, rated A by Tris.

#### » TRUE MOVE RINGS TRIPLE NOTES

**TRUE MOVE H UNIVERSAL COMMUNICATION** has raised Bt12bn from an offering of bonds in tenors of one to five years.

A Bt2.8bn one-year tranche will pay 3.28%, a Bt9bn one-year two-month tranche will pay 3.38% and a Bt200m five-year piece will pay 5.0%.

A two-day subscription to institutional and high-net-worth investors ended last Wednesday with settlement made a day after.

*Bangkok Bank, Kasikornbank, Krungthai Bank and Siam Commercial Bank* were joint lead managers for the transaction.

The Thai mobile phone operator, rated BBB+ by Tris, is a subsidiary of telecoms group True. Proceeds are to be used to refinance maturing bonds and bills of exchange, as well as to meet working capital needs.

# Vinmec launches US\$300m loan into general

## ■ Loans Borrower is the second Vingroup subsidiary to tap the syndicated loan market since July

**VINMEC INTERNATIONAL GENERAL HOSPITAL JOINT STOCK**, a healthcare provider and subsidiary of Vingroup Joint Stock, has launched a US\$300m three-year senior secured term loan into general syndication.

*Deutsche Bank* is the original mandated lead arranger and bookrunner, while *Cathay United Bank, Mega International Commercial Bank, Maybank and Taipei Fubon Commercial Bank* are the MLAs. *KEB Hana Bank Singapore* has joined as MLA before the launch into general syndication.

*Deutsche Bank* had launched the deal into senior syndication in January.

The loan pays an interest margin of 300bp over Libor and has an average life of 2.9166 years. Lenders joining by April 15 earn an early-bird fee of 10bp.

Banks committing US\$30m or above as MLAs earn an upfront fee of 70bp for a top-level all-in of 327.43bp (including the early-bird fee), while lead arrangers taking US\$20m–\$29m receive 50bp for an all-in of 320.57bp. Arrangers with tickets of US\$10m–\$19m are offered a 30bp fee for an all-in of 313.71bp.

A bank presentation will be held in Taipei on April 9. The final deadline is April 22, while signing is slated for April 24.

Vingroup and several of its subsidiaries act as guarantors.

Proceeds from the loan will be used for refinancing, the acquisition of hospital properties, capital expenditure, working capital and general corporate purposes.

Vinfast Trading and Production was

the last Vingroup subsidiary to tap the syndicated loan markets, raising a US\$400m five-year loan last July. Bank of China, Credit Suisse, HSBC, Industrial & Commercial Bank of China, Maybank and Taipei Fubon Commercial Bank were the mandated lead arrangers and joint underwriters of the financing, which attracted 12 other lenders in general syndication. That loan paid a top-level all-in pricing of 370.38bp based on a margin of 350bp over Libor and an average life of 3.925 years.

Established in 2012, Vinmec operates under a non-profit model. It runs hospitals and clinics in Vietnam including a paediatric clinic and operates the Vinmec Research Institute of Stem Cell and Gene Technology. **EVELYNN LIN, CHIEN MI WONG**

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## SHANGHAI TECH BOARD FILINGS

Issuer	Sector	Fundraising target (Rmb)	Sponsor
Amlogic Shanghai	Semiconductors, electronic components	1.51bn	Guotai Junan
Ankon Technologies (Wuhan)	High-tech medical equipment	1.20bn	China Merchants Sec
Appotronics Corporation	Laser display equipment	1.00bn	Huatai Sec
ArcSoft Corporation Limited	Intelligent imaging technology	1.13bn	Huatai Sec, Citic Sec
Cnano Technology	Nano technology	870m	Minsheng Sec
Fujian Forecam Optics	Optical lenses and systems	651m	Industrial Sec
Guangdong Lyric Robot Automation	Robotics	745m	Minsheng Sec
Hangzhou Hopechart IoT Technology	Autonomous vehicle technology	582m	Citi Orient Sec
Hejian Technology Corporation	Semiconductors, electronic components	2.50bn	Changjiang Financing Service
Jiangsu Beiren Robot System	Robotics	362m	Soochow Sec
Ningbo Ronbaymat Technology	Lithium battery materials	1.6bn	Citic Sec
QuantumCTek	Data encryption	304m	Guoyuan Sec
Shenzhen Basda Medical Apparatus	Medical diagnostic equipment	338m	Dongxing Sec
Shenzhen Chipscreen Biosciences	Biotech drugs	804m	Essence Sec
Suzhou HYC Technology	Testing equipment for touchscreens and other products	1.01bn	Huatai Sec
Twenty First Century Aerospace Technology	Satellites and data services	808m	China Sec
Wuhan Keqian Biology	Biotech veterinary drugs	1.75bn	China Merchants Sec
Xiamen Amoytop Biotech	Biotech drugs	608m	Sinolink Sec
Yantai Raytron Technology	Thermal imaging, sensors	450m	Citic Sec

Source: IFR Asia, company filings. Data as of 12:00pm Mar 29

## MERRILL LYNCH ASIAN DOLLAR INDEX

Index	Description	Index level	1 week total return	1 month total return	3 months total return	OAS
ADIG	Asian-dollar high-grade index	408.650	0.819	2.135	4.734	135
ADHY	Asian-dollar high-yield index	643.822	0.116	2.683	8.506	508
AGIG	Asian-dollar government high-grade index	380.613	0.843	2.211	4.963	117
AGHY	Asian-dollar government high-yield index	762.860	0.505	1.985	7.849	386
ACIG	Asian-dollar corporate high-grade index	435.331	0.815	2.119	4.678	142
ACHY	Asian-dollar corporate high-yield index	528.555	0.048	2.808	8.611	530

Source: Merrill Lynch

## LAST WEEK'S ECM DEALS

Stock	Country	Date	Amount	Price	Deal type	Bookrunner(s)
ICICI Prudential	India	26/03/19	Rs17bn	Rs321.30	Follow-on (Secondary)	Citigroup, Goldman Sachs, ICICI Securities
Sheela Foam	India	27/03/19	Rs6bn	Rs1,175.55	Follow-on (Secondary)	ICICI Securities
Shanghai Dongzheng Automotive Finance	China	28/03/19	HK\$1.6bn	HK\$3.06	IPO (primary)	CICC, Credit Suisse
Xtep International	China	29/03/19	HK\$1.37bn	HK\$5.56	Follow-on (primary)	Credit Suisse, UBS

Source: IFR Asia

## LAST WEEK'S EQUITY-LINKED ISSUANCE

Issuer	Country	Date	Amount	Greenshoe	Maturity	Coupon (%)	Premium (%)	Bookrunner
iQiyi	China	27/03/2019	US\$1.05bn		6 years	2%	32.5%	Bank of America Merrill Lynch, Goldman Sachs, JP Morgan

Source: IFR Asia



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